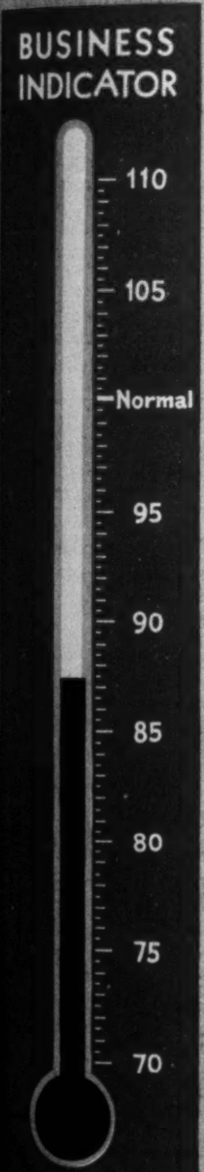
AUG 18 1930

AUGUST 20, 1930

THE BUSINESS WEEK



BUSINESS activity increased last week and our indicator moved upward for the first time since the beginning of July. It stands at 87.4% of normal as compared with 86.5% a week ago and 113.7% a year ago. . . . . The upturn occurred in spite of disposition of many business men to sit tight until effects of the drought can be more accurately appraised. These, as early exaggerations fade, will be discovered not to be calamitous. . . . . There is reason to believe the worst is over—that recovery has begun; that it will be rapid as compared with recovery in 1921. . . . . Check payments increased last week; so did freight shipments of commodities most representative of commercial activity. . . . . Productive activity decline is less steep. . . . . Chicago grain traders evidently agree with us that early drought damage reports were exaggerated; grain prices sagged. . . . . Other raw material prices continue to weaken. . . . . Approach of fall weather will start the seasonal upswing; renewed buying will strengthen prices. . . . . Sentiment in financial quarters continues to lag behind sentiment in commercial circles. Banking caution, not to say timidity, is retarding business (see page 17). . . . . Too much importance is still being attached to the figures on the ticker tape; stock prices rise and fall in a purely professional market.

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"Using McCaskey carbon-backed forms we get two slips at one writing—one is posted in the McCaskey Cabinet under the workman's number, the other under the tool number. So counting the tools in the rack and adding the slips under the tool number in the McCaskey Cabinet gives us a perpetual inventory of tools.

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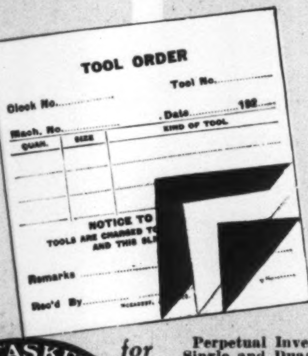

TOOL ORDER

Tool No.

Clock No.

Date 192

Mach. No.

KIND OF TOOL

QUAN. SIZE

NOTICE TO

TOOLS ARE CHARGED T

AND THIS SL

Remarks

Rec'd By

McCASKEY

McCASKEY ONE WRITING SYSTEMS

for

Perpetual Inventory
Single and Dual Control
Production Control
Machine Control
Process Inventory
Cost and Payroll Records
Order Control
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What's In This Issue —And Why

Crops

DROUGHT damage to business sentiment probably exceeds damage to crops; uncertainty, hesitation, replace optimism that was budding. Some sections are hard hit; some are benefited. Sales executives will do well to study the map we present. *(page 5)*

EUROPE will buy more wheat than last year, cabled checkup by correspondents of *The Business Week* indicates. *(page 7)*

Chains

EDUCATED by the chains themselves, by trade associations, by alert wholesalers and manufacturers, independent merchants today are better storekeepers, stiffer competitors. Chain statistics, chain policies, show the effect. *(page 8)*

Nitrate

IN union there is strength—also restriction. American nitrate producers, not in that new "world cartel," see definite advantages in freedom from control. *(page 13)*

VAST as the fertilizer market is, it can be greatly expanded, observers believe. The industry seems not to be "sales-minded." *(page 14)*

Rubber

BEATEN again and again by that doughty team, Supply and Demand, Dutch and English rubber traders are gluttons for punishment, will try once more to steady prices by restricting production. *(page 15)*

Manganese

AMERICAN manganese producers want Russian imports barred. National defense is involved; also chemistry, metallurgy, sociology, politics, history, and finance. We try to simplify. *(page 28)*

Gold Goes Up

PRICES are down, gold is worth more—whichever way you want to say it. As a result, "final liquidations of the World War" now look anything but final. Governments, like industries, must use goods to buy gold to pay debts. When it takes 19% more goods to buy the same amount of gold, serious trouble impends. *(page 16)*

Timid Bankers

BANKERS loan other people's money, not their own; they should be cautious. But now they seem to be too cautious, and business recovery is retarded. *(page 17)*

Sugar

SUGAR was never so cheap in all the world's history. Production has increased 50% in 15 years; consumption hasn't. *(page 11)*

Russia

EUROPEAN countries have been eager to get Russian business. But none so eager as Italy; to get $10 millions in orders this year, she grants 25-50 years' credits. *(page 26)*

Private Brand Magazines

PUBLISHERS, editors, were amused when Woolworth launched 4 magazines. But they have gone across. Now Kress and Kresge follow suit. *(page 10)*

Tropical Ice

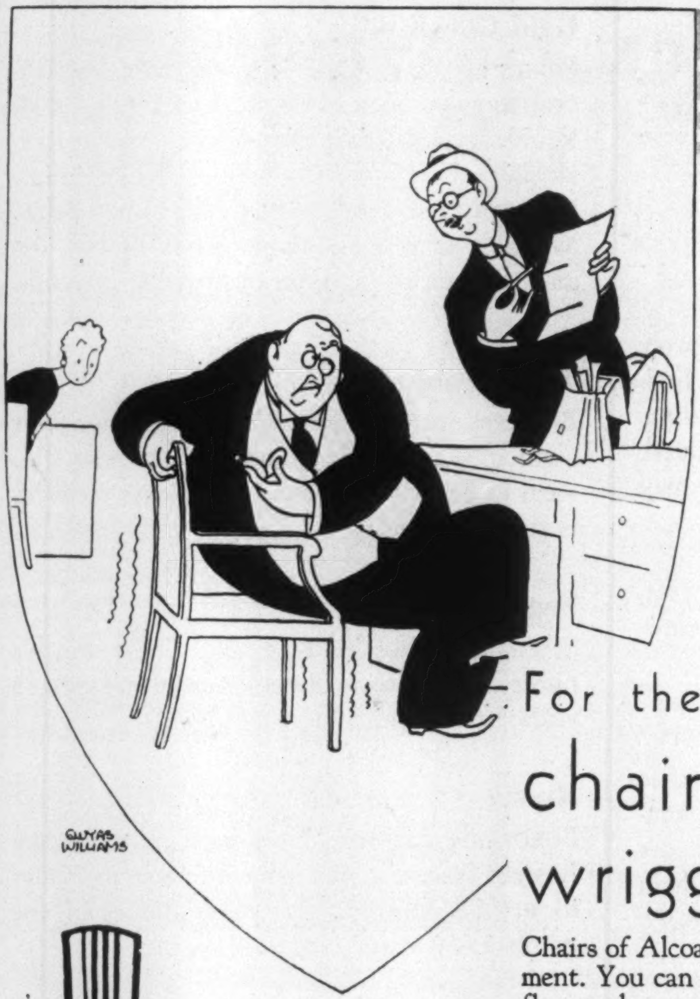
FOR 11 years, wells in Mexico spouted 30 million cubic feet of CO_2 into the air daily. Now the gas is being solidified, shipped to New York, competitor of synthetic "dry ice." *(page 9)*

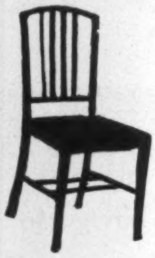
Cheaper Light

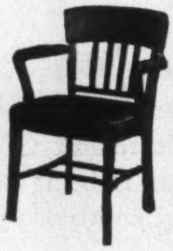
RATE cuts in domestic lighting are instituted simultaneously in 8 widely scattered and important areas. Both politics and business policy are reasons. *(page 10)*

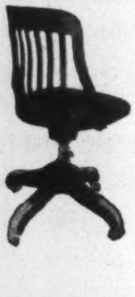
Electrification

ELECTRIFICATION of railroads is going ahead much more rapidly than ever before. The cost is heavy but advantages are numerous. *(page 20)*









For the pestered executive chairs that won't wriggle loose . . . .

Chairs of Alcoa Aluminum will stand a lifetime of punishment. You can even deliberately bang these chairs on the floor and you won't damage or weaken their frames.

Ordinary chairs loosen up because glue dries out, leaving the joints sprung. Alcoa Aluminum Chairs have no joints to work loose—no glue—no dowels—no wood screws. Their frames are welded into one continuous piece of metal. The same light, strong Alloys of Alcoa Aluminum are used as those of which railway cars and airplanes are built. Here strength is combined with light weight. Lift an Alcoa Aluminum Chair. You will be surprised at its featherlightness. And these chairs are fire-safe, too.

Finishes are either wood grain—walnut, mahogany or oak; baked enamel of any color; or in the natural aluminum. The modern finish of the natural aluminum is extremely attractive because of its simplicity. Full mission leather upholstery in either green, blue, maroon or brown. Also a wide variety of fabric upholsteries. Styles for offices, hotels, restaurants and hospitals. May we send you a complimentary copy of the new booklet, "Distinctive Chairs of Aluminum"? ALUMINUM COMPANY *of* AMERICA; 2405 Oliver Building, PITTSBURGH, PENNSYLVANIA.

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ALCOA

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending August 16, 1930

Business Holds Up Fall Plans Until Sure of Drought's Effects

Closer Appraisal Now Indicates Redistribution Rather Than Calamitous Destruction of Farm Income

BUSINESS sentiment was blighted by the drought this week. The harm done there probably exceeds damage to the crops. The better feeling that was sprouting was withered; hesitation and doubt reappeared. Business now is slouching unnecessarily into the "wait and see" attitude which seriously retards progress.

Newspapers have dramatized the drought story beyond exact appraisal. It is true the agricultural picture has developed some deep shadows and the real damage should not be minimized. But that damage is far from devastating and general rains within the next two weeks would mitigate it greatly. Rains came in some localities this week, and the heat broke nearly everywhere.

Cleaning up of the unwholesome crop surplus is an important gain to weigh against losses.

Firmer prices will be of distinct benefit in many important farm states.

The full effect of the drought on business can not yet be accurately told, but several facts stand out. First, it is not a national calamity; it is restricted to certain regions, and these not the heaviest-producing areas. (See map.)

Mobilization by the President of every available relief will lighten the impact, even in those regions worst hit. The machinery set up will move economically the available surpluses to the needy regions, greatly ameliorating the harm that otherwise would result.

Immediate Effects

The immediate effect of the drought on business is to generate fear and uncertainty. Business upturn is likely to be delayed. Some fall farmer buying will be later than usual as the farmer waits to size up his exact condition. The fear of decreased buying already is slowing down the wheels in those industries which sell to farmers.

Railroad earnings will decline only slightly. Increased hauling of livestock feed will compensate to some extent for shortage in some crops. Longer hauls partly offset the lower rates granted for relief purposes. The flow of manufactured goods into agricultural regions will be delayed rather than omitted. It is to be remembered that wheat, little hurt, is the big freight crop; corn is mostly used where grown.

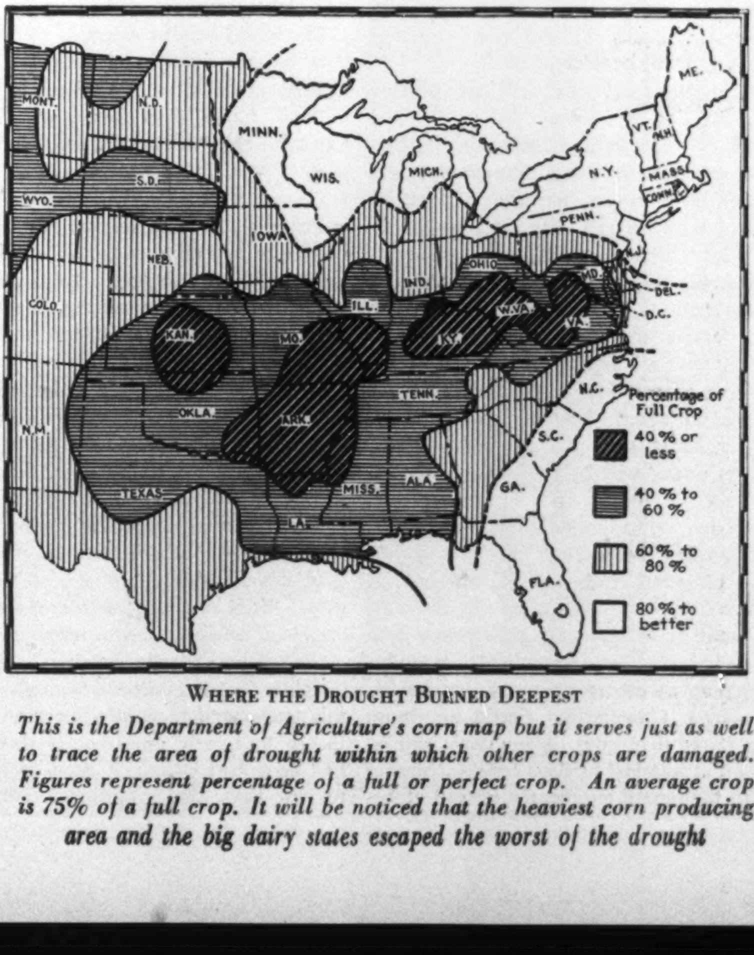
Collections naturally will be more difficult. Bank loans will be slower. Credit agencies are being forced to move less vigorously. Funds that normally would go for other uses will be spent for livestock feed in many regions. But other regions will benefit from this.

Funds are being called home from the New York money market by banks in the agricultural regions, both for fall crop moving and to care for stricken areas. The amount of funds that actually will be used is undetermined, but will tighten money unless the Federal Reserve system is prompt in expanding credit. This it has usually done.

Food scarcity has not developed. But prices have been boosted in several cities with an alleged scarcity as a pretext. Federal and city governments are taking steps to prevent this profiteering. In some cities prices have risen from 10% to 30%.

Long Term Effects

Most important longer term effect of the drought is elimination of agricultural surpluses, which will result in firmer prices during coming months



WHERE THE DROUGHT BURNED DEEPEST

This is the Department of Agriculture's corn map but it serves just as well to trace the area of drought within which other crops are damaged. Figures represent percentage of a full or perfect crop. An average crop is 75% of a full crop. It will be noticed that the heaviest corn producing area and the big dairy states escaped the worst of the drought and into the next season. The crop shortage is in livestock feed and surpluses will be used for this. Better prices already are resulting. Firming of agricultural prices may extend to all commodity prices and relieve the price decline which so seriously has affected business.

Offsetting the price gains are the losses in volume. But agriculture will start next season with a clean slate. This will impair the Farm Board's acreage reduction with unthinking farmers. But the educational program is bearing some fruit. With surpluses gone, the Farm Board policy will not be so painful.

The drought is a tremendous force toward diversified farming, which is the real meaning of the Board's program. Cooperative marketing, the other cardinal principle, may be helped as farmers see the need now for combined action.

Farmer's income, their buying power, will be redistributed rather than reduced. New England, the Northwest, the Southeast, and the Pacific Coast will fare better than seemed possible a few weeks ago.

Sales plans already are being revised by thoughtful executives. The flow of goods and the flow of credit for fall and winter months will have to be re-routed.

Banking will be affected. The worst hit regions will suffer additional bank failures and credit constriction. Conversely, banks in the more favored regions will be strengthened.

Higher food prices will take a larger proportion of the wage earners' income. Unless there is a compensating pickup of business with full time employment and better wages, purchase of luxuries and semi-luxuries may be curtailed in industrial communities. But here again, benefits correspondingly will accrue to agriculture.

Water supplies in many sections will be lower for months to come, resulting from present low level of streams and ground water. This will restrict some city water supplies. More important, less power will be generated by water. Increased use of coal for power generation, already noted, will somewhat stimulate the mines.

Livestock industry is hardest hit. Like grains, livestock and livestock products will bring higher prices over the next several months. Such sacrifice selling as occurs now may depress the market temporarily. Cattle are more affected than hogs. Many cattle will be left at terminal markets for slaughtering in the next three months instead of being moved back to farms for feeding. Concerted action is being taken, though, to put feeders wherever supplies are sufficient to support them. Livestock prices are further helped by the lowest level of storage provisions in four years.

Foreign trade will be stimulated. Argentina and Australia especially will be able to buy more goods. Besides wheat, both have feed and can hold livestock for better prices. Perilous economic conditions in those countries will be partly alleviated and Argentina may return to the gold standard. The stimulus to world exchange of commodities, though slight, may be the little push needed to remove prevailing lethargy.

Crop Conditions

Government crop reports this week showed clearly that drought seriousness as of Aug. 1 was not a great national problem. Even the further deterioration since that time merely accentuates local conditions.

Prospects for all crops declined in July but 7%. Yields per acre will be about 5.5% below last year and 9.1% below the ten year average, the shortage chiefly in feed crops.

The wheat crop is estimated at 821 million bushels, 14 millions higher than the July 1 estimate and 15 millions higher than the crop harvested last year. Winter wheat increased 39 million bushels. Wheat generally was past the stage where drought could hurt it.

The world crop of wheat in 18 countries outside Russia and China is estimated at 2,187 million bushels, 76 millions larger than last year. The Canadian crop will be smaller than last year.

Corn is most seriously damaged. The estimate is for 2,212 million bushels, a decline of 590 millions from the July 1 estimate, with another 100-million-bushel deterioration since the August 1 estimate. The crop will be smallest since 1901.

The cotton crop was estimated at 14,362,000 bales, compared with an actual harvest of 14,919,000 bales last year. Fate of the cotton crop, though, still is on the knees of the gods; the next two or three weeks will decide.

Feed crops other than wheat and corn also are hurt; hay and pasture are short. Fruit and vegetable crops generally are above the 5-year average; flax is well above; tobacco is below.

Grain prices fluctuated uncertainly this week, worked mostly lower on the theory that early estimates of damage had been exaggerated. Cotton dropped to new lows, the government estimate being higher than expected. Carryover of 6,150,000 bales added to the crop gives a supply larger than any expected consumptive demand. Cotton resists drought and drought is killing weevils, helping both this and next year's crop.

Acme

Arthur M. Hyde

The Secretary of Agriculture confers with the President after a personal tour through the drought-stricken regions

Relief Plans

President Hoover made extensive plans for relief in the seared counties, and for moving feed and livestock to and from the areas of drought and plenty. The I.C.C. authorized all railroads to reduce rates for relief purposes. Eastern roads have cut such rates 50%; other roads are expected to follow.

Governors of the affected states met at the White House to form a national committee. The Red Cross is studying conditions and standing by to help where needed.

Credit facilities have been mobilized, plans made for loans to supplement those which banks can grant. This work is being done by the Farm Board and the Intermediate credit banks.

Rise in Europe's Wheat Import Forecast by New Crop Figures

By Special Cable to The Business Week

WESTERN EUROPE will have to import more wheat this year than it did last. Italy and France together will probably need 191 million bushels to make up for domestic shortages. July's general shakeup in world agricultural conditions has brought interesting new crop reports from all over the Continent. Complete data are still lacking, but a hasty survey by *The Business Week's* representatives in key countries discloses definite and striking changes in comparison with conditions at this time last year.

France and Italy Short

The wheat situation can be summarized briefly. Italy and France are expected to show a combined decrease of 5,000,000 tons below last year's bumper yield in both countries. The Balkan states and Poland will yield at least 1,700,000 tons more than last year. Russia is credited with an increase of 2,600,000 tons. Germany has lost expected gains in recent bad weather and is likely to repeat last year's totals. Spain will show an increase of about 900,000 tons, and so recover her self-sufficiency.

Statistically, Eastern European and Russian gains will easily offset losses in Western Europe. Actually, these states are not equipped with sufficient storage facilities or with adequate credit organization to finance the crop to important markets. As a result, much wheat will be used for foddering hogs and cattle, while overseas imports will be required to meet at least a part of the deficits which are foreseen for Western Europe.

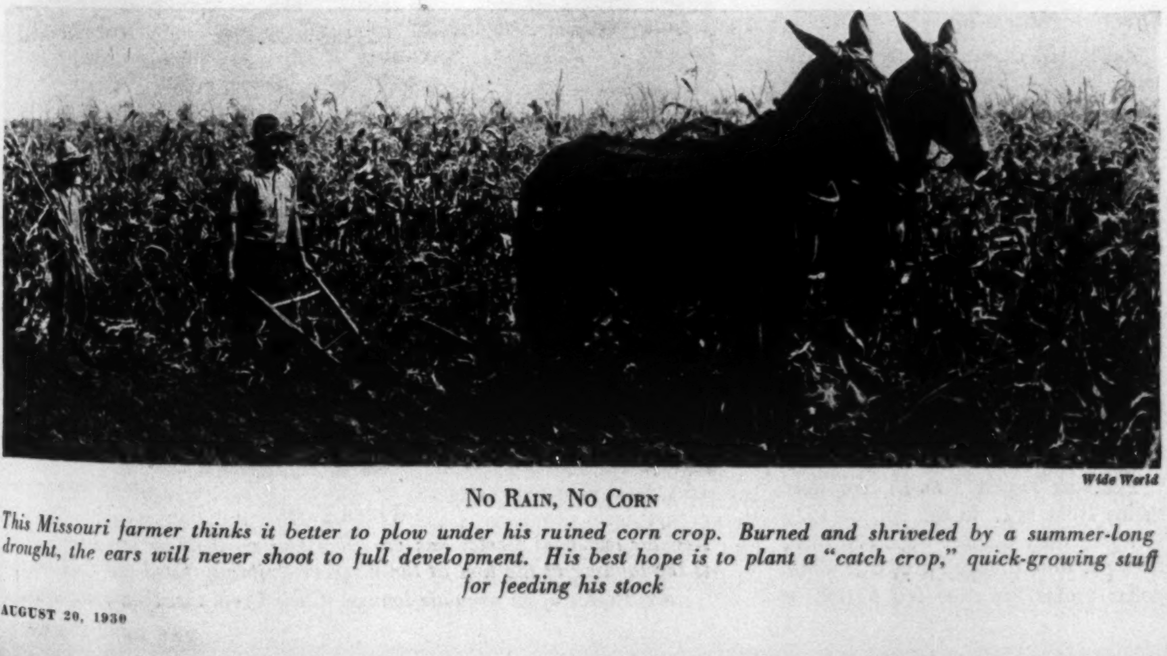
Whatever the final European totals, it is already clear that focal points for imports will be Italy and France. Italian consumption runs to 9,000,000 tons annually. Present crop estimates forecast 6,000,000 tons, compared with 7,500,000 tons last year. With the carryover exhausted (imports of 1,000,000 tons already have been required to cover May-July consumption), normal imports for the next crop year of 3,000,000 tons are likely to be supplemented by 600,000 tons if a normal carryover is to be re-established.

Annual consumption in France normally exceeds 8,500,000 tons. Crop expectations this year fail to exceed 6,000,000, compared with 9,500,000 last year (preliminary official estimate in 1929 was 8,700,000 but was unquestionably too low). Present carryover is estimated conservatively at 1,500,000 tons. From these estimates, it would seem that, whereas France exported about 600,000 tons of wheat in the current crop year, import requirements this year will run to at least 1,000,000 tons plus 600,000 tons for a normal carryover.

Estimates are lacking for smaller countries, but Belgium, Holland, Switzerland, Austria, and Czechoslovakia are normally importers. Advance reports indicate no larger crops than normal and, in most of the countries, official estimates run somewhat below the customary levels. This points to the general conclusion that Europe will import more wheat than last year, but will not import heavily.

Little Change in Rye

Advance reports on rye production indicate little change. Russia has not yet sent estimates. The net crop increase in Eastern Europe and in Spain is estimated at 600,000 tons in contrast to a net decline in Germany and France of 700,000 tons. Actually, the German crop again is likely to be near last year's total of 8,000,000 tons, which far exceeds consumption, and which will prolong the forced admixture of rye in wheat flour which for the period between July and September the government has decreed shall be 40%.



Wide World

NO RAIN, NO CORN

This Missouri farmer thinks it better to plow under his ruined corn crop. Burned and shriveled by a summer-long drought, the ears will never shoot to full development. His best hope is to plant a "catch crop," quick-growing stuff for feeding his stock

Independent Merchants Give Chains Increasingly Hard Fight

Dwindling Chain Profits Forecast Drastic Changes In Methods, Also Mergers and Eliminations

DRASTIC revisions of buying and merchandising practices of chain systems are becoming evident, unmistakably forced by the new type of independent competition that is offering intelligent and steadily more effective resistance to chain domination in every field of retail merchandising.

This resistance of independents, passive until 1927 but since become most active and aggressive—spurred by the tremendous expansion of chain systems into new fields and new territories—has gained force as the chains are struggling with heavy overheads, overstocks, overorganizations, and undernourished profit margins.

Individual initiative has been stimulated by an education in good merchandising, storekeeping, selling, profitmaking carried on by trade associations and the intelligent and active propaganda of independent manufacturers and wholesalers. This is shaping independent business into trim and well-trained fighting units, each commanded by an intensely and lastingly interested officer—its owner—while many chains are in despair over the personnel problems. Some of them are realizing for the first time that anybody can buy merchandise but that it takes brains to sell it at a profit.

Effective Education

Some food chains, and to an extent 5-10 cent store chains, are mainly affected by the educational work of national, state, and local trade associations. Certain department store and other large chains suffer because executive brain capacity has not grown as rapidly as dollar volume grew under the easy money conditions prior to October, 1929. Thus today huge physical properties are without ample guarantees of efficient management.

Performance-analyses made from the recently published reports of numerous nationally known chains will serve to illustrate present conditions.

The four largest 5 & 10 cent store chains from 1927 to the end of 1929 increased their number of stores 14%, sales per store dropped over 4%, while dollar profits per store fell $3100, or 13.4%. Compare this with the record of a large group of hardware stores most directly affected by 5 & 10 cent store competition. Keeping identical statistical data by identical methods, these show an increase in sales; their final net profits rose from 2.22% in 1928 to 2.51% in 1929; and profit on invested capital rose from 6.55% in 1928 to 7.92% in 1929. Yet the ten most prominent 5 & 10 cent store chains show average net profit of 7.77% in 1927 which dropped to 6.82% in roaring 1929.

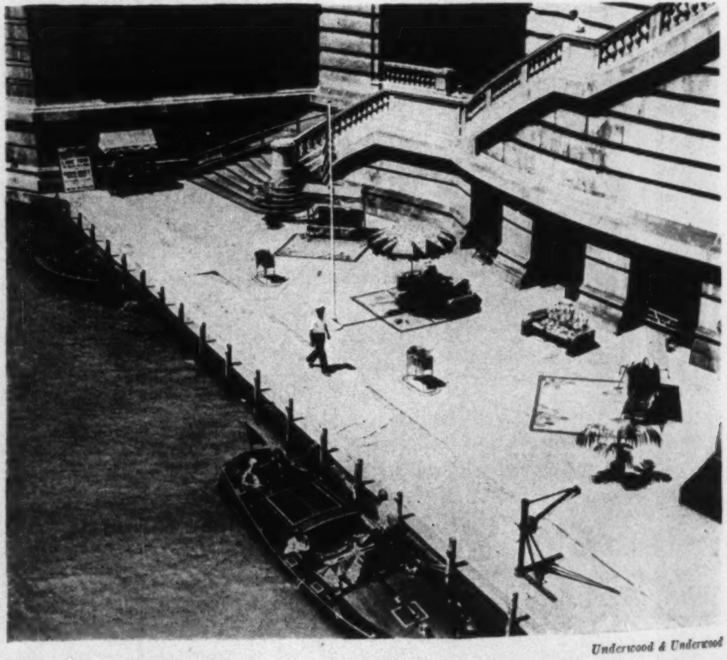
Profits per Store Down

Department store chains have fared even worse, as the figures on the 3 most important groups indicate. Having 1070 stores in 1927, they finished 1929 with 1702 stores, an increase of 70%. While 1929 showed substantial increases in the total dollar volume of sales, each store did actually $56,000 less business in 1929 than 1927, a decrease of almost 20%, and average dollar profits per store tumbled $4776, or 28%. Net profit on sales dropped from 6.12% in 1927 to 4.87% in 1929.

Interesting amplification of these figures is furnished by the study of "Operating Results of Department & Specialty Stores" made for the year 1929 by the Bureau of Business Research of Harvard University.

Here in the class doing less than $500,000 annually, 34 stores, chain owned, on a gross profit margin of 28.3% showed a net loss of 2.4%, converted into a final net gain of 0.6% only through 3% of other net income. A group of 100 independently owned stores had a gross of 29.2% and net loss of 1.1% which also is turned into a gain, 2.2%, through 3.3% of income from other sources. The best performance is recorded by a group of 55 stores, participating in one form or other of cooperative activities, group buying. These held expenses to the limit of gross margin and show a net gain of 3% from other sources. On percentage of gain to net worth these latter cooperating independents recorded a net gain of 8%, while non-cooperating independents earned but 5% and the chains came last with but 1.5%.

The class of stores doing over $2 millions annually showed similar trends in performance. Although all groups in this class were able to operate at a profit, the highest earned percentage on net sales stays with the independents.



Underwood & Underwood

WATER TAXIS

Regular taxi-boat service has proved useful on the Chicago River. Here is the landing at the foot of the Wrigley Building, fitted out with all the accessories of an open-air lounge. Chris Craft speedboats are used

International News

YOUR MOVE, MR. ROSENWALD

The Chicago financier and philanthropist, head of Sears, Roebuck, plays a game with his protégé, Samuel Reshevasky, young chess champion

Food chains reflect less of a decline in performance, due to the fact that they sell chiefly necessities, and have kept a jump or two ahead of the inevitable, through additions to the line. Grocery chain stores have added meats, vegetables, candies, tobacco, household wares. Nevertheless, profits per store of 5 leading chains were less in 1929 than in 1927, and average net profit on sales dropped from 3.77% in 1927 to 3.14% in 1929.

Less Profit per Store

The performance of 67 representative chains in various fields, on which figures for all three years are available, reflects effectively the importance of the problem. These added 8,880 store units during that period, increased sales $10,000 per unit, but show $53 per store less profit.

Combating this trend of diminishing returns, intensified independent competition, group buying by independents, chain executives are fighting strenuously with many weapons. They must expect continuation of these trends since even the boom year 1929 did not develop better results than those quoted.

The Great Atlantic & Pacific Tea Co., reporting 17,000 stores in operation in 1927, now has only 15,000; is eliminating all weak units; opens new territory with its latest type of combination grocery-meat-vegetable-bakery units, advertises extensively in national magazines, local newspapers; improves its personnel.

Kroger Closes Stores

Kroger Grocery & Baking Co. has closed 228 stores within a year, yet the 30-week period ending Aug. 2, 1930, shows a decline in volume of about $500 per store remaining.

F. W. Woolworth Co. adjusts its incentive compensation to managers and effects more concentrated application to the task of meeting sales and profit quotas; reduces expansion through new units.

Kress and Kresge have a gentlemen's agreement against invasion of each other's territory; extend their lines of merchandise; cooperate closely; avoid wasteful competition.

Sears, Roebuck & Co. abandon the policy of opening up "cold" in new territory; now buy local stores, small chains, retain the executive staffs.

Department stores consolidate departments, centralize responsibility under fewer executives, establish buying control systems, abandon the "stylist" fad, devise various systems of incentive payment to stimulate greater employee-cooperation.

National Bellas Hess follows the two big mail order houses with price cuts of 10% to 25%; cuts inventories 30% in one year; sends catalogs to 5,200,000 families in order to boost business for its 50-store chain.

In the meanwhile independents have learned, are learning that chains are vulnerable, can be competed against, should be studied, copied. Everywhere department, grocery, hardware, furniture, dry good stores and their independent owners are busy "chain-izing" their habits, their buying, merchandising, display, selling, advertising.

Group and pool buying, voluntary chains, cooperative selling effort are growing. Independent manufacturers help independent wholesalers to build permanent distribution. Cooperative warehousing has arrived.

Alert independents, fighting for existence, are beginning to out-distance the chains, for to all that the chains do, and they copy, they also add their personal, undivided, selfish initiative.

Three presidents of prominent chain store organizations summed up the case of the chains today when recently they agreed that—"In most cases, because of inter-competition, chain store margins of profit will tend to become less, and in not a few cases completely vanish; not a few chains will be forced out of business, and before the industry is stabilized many mergers and consolidations will have to take place."

Sub-zero Ice Shipped From Torrid Mexico

STRIKING an apparently inexhaustible supply of carbon dioxide gas while drilling for oil in the Quebracho district of Mexico, the Globe Petroleum Co. is giving the oil industry with its overproduction troubles the icy stare. It is developing—through Carbona Products Co., a subsidiary—production and distribution facilities for "dry ice," which is CO_2 solidified.

Wells carrying daily 30 million cubic feet of CO_2, after running wild for 11 years have been "plugged." A plant just finished takes the gas under its surface pressure (1040 lbs.) and solidifies it into 10-inch cubes weighing about 45 lbs. each. Three of the Ward Line's steamers in the Tampico-Mexico service (*Panuco, Agwistar, Cauto*) have been equipped to carry 200 tons of CO_2 in separate compartments entirely enclosed and insulated with 12-inch walls of cork—heaviest insulation on record. Beginning with the *Panuco's* arrival Aug. 18 a regular supply will flow from Tampico into New York.

Present U. S. production of CO_2 is 350 tons daily—insufficient to supply peak requirements of present large users—with price holding steady at about $100 a ton. Dry Ice Corp. of America has been the principal producer. It manufactures its gas synthetically, as do its few competitors.

Fruit, dairy products, quick-frozen

foods can be effectively preserved if packed with CO_2 while in transit, but present prices are prohibitive. Carbona Products Co. expects to increase output and shipping facilities speedily to make possible price reductions that will open a proportionately wider field of use.

Private Brand Magazines Find New Chain Sponsors

PRINTED for exclusive distribution through the 5, 10, 25-cent to $1.00 stores of S. H. Kress & Co. and S. S. Kresge & Co., the *Modern Screen Magazine* and *Modern Love Magazine* will appear on the counters of those stores on October 1 with an initial edition of 525,000 copies, each containing 132 pages of fiction and advertising, appealing particularly to women.

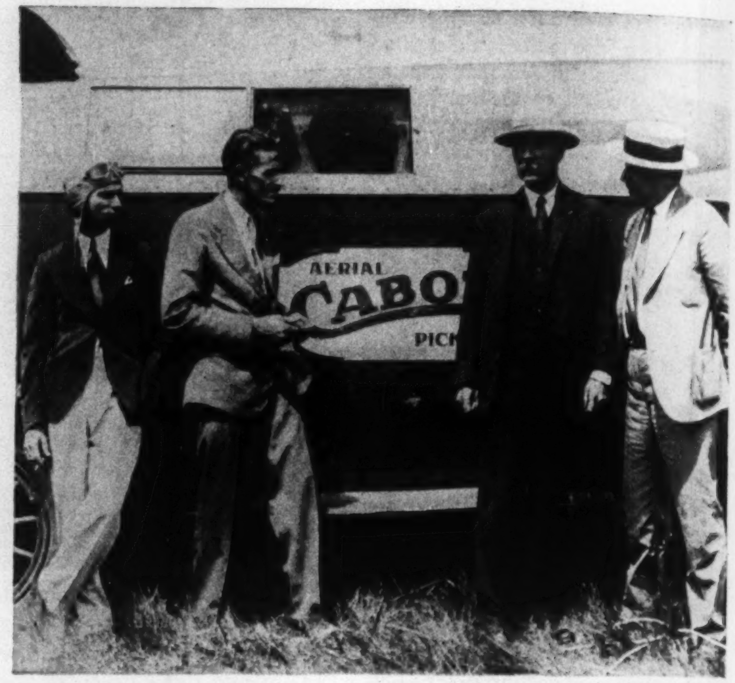
The publications are to be patterned closely after the four—*Movie, Home, Love, Detective*—recently launched by F. W. Woolworth & Co., which have met widespread popular acceptance, now showing a combined circulation of 1,295,000. Advertising will be restricted to 20% of the total space.

A subsidiary of the Dell Publishing Co.—the Syndicate Publishing Co.—will act as publishers, in which companies neither of the chain store organizations have any financial interest.

Rates for Electricity Cut in Many States

IN Boston, Philadelphia, New York, Virginia, northern Ohio, Oregon, Washington, and northern Illinois, customers are going to pay less for their electrical energy.

Boston users will save $1,300,000 a year in the rate decrease ordered by the state Department of Public Utilities; Philadelphia, $1,750,000 in the cut made voluntarily by the Philadelphia Electric Co. Reductions of from 2% to 22% in residential and commercial lighting rates have been ordered by the Public Service Commission of Oregon for customers of the Pacific Northwest Public Service Company after 2 years of valuation proceedings. The entire western and central portions of Washington served by the Puget Sound Power & Light Co. get a cut of ½ cent per kilowatt hour beginning Sept. 1. On March 1 next year they get another ½ cent off. The Virginia Public Service Co. has asked the state for permission to install rates that will mean a reduction in revenues of $400,000 a year. The Public Service Co. of Northern Illinois reduced residential rates Aug. 1 to bring about a saving of $1 million annually for customers. Officials of the Ohio Edison Co. predict a 25% cut in their domestic rates next year in northern Ohio as a result of new franchises now being negotiated with cities in that section.



International News

AIR MAIL PICK-UP TESTED

Roger Wolf Kahn, left, piloted the plane; A. W. Card built the device; Godfrey Cabot, wealthy Bostonian, invented it; F. E. Smith watched the test for the Post Office Department. It enables air-mail planes to pick up without stopping

All these are in addition to the rate reductions proposed by Matthew S. Sloan for the 4 Edison companies serving Greater New York (*The Business Week*, Aug. 6) which, at the present stage of negotiations, would mean a saving of $5 million annually to users.

Utility officials say these rate cuts are a result of both political and business impulses. Principal cause, they believe, is that the electric light and power companies want to remove rate barriers which have handicapped sales. Utility officials are developing the idea that lower rates will increase use.

Speaking of Operations, Here Are New Dressings

STRIKING at waste, time-loss, danger from infection, under the old gauze-by-the-bolt and cotton-by-the-bale method of buying material for surgical dressings, The Kendall Company through its subsidiary Lewis Manufacturing Co., announces a complete line of ready-made surgical dressings.

A large variety of items, differing in texture, sizes, shapes, thicknesses, provides in instantly useable form the most practical dressing for every normal hospital need, thereby practically eliminating the necessity for hand-making.

All numbers are suitably packed for ready shipment, storing, easy dispensing, with unit quantities determined by estimated frequency of use, ranging from 25 to 1500 pieces per standard package.

Railroads Plan Service For Cool Customers

BALTIMORE & OHIO'S diner "Martha Washington," attached to The Columbian between Washington and New York, has been equipped with apparatus which controls temperature and humidity of air and excludes dust, soot, and cinders. Temperature can be reduced from 93° to 70° F. in 20 minutes. Refrigeration is accomplished by a 7½-horsepower motor-driven ammonia-compressor mounted beneath the car floor.

Cuba Calls for Bankers' Aid As Sugar Drops to Record Low

World Production up 50% in 16 Years, While Consumption Fails to Keep Pace

RAW sugar is the cheapest it ever has been. It sells for about 1.25c. a pound aboard ship in New York harbor. Refined sugar at 4.5c., duty paid, is at its lowest since 1914.

In 1920, sugar sold for 22.5c. a pound. That explains, in large measure, why it is so cheap today.

War caused the great bulge in prices. The sugar beet fields of Europe became battlefields; refinery workmen became soldiers. With high prices as bait, Javan and Cuban planters went valiantly to work. Cuba's crop in 1913-14 was 2,709,000 tons. In 1928-29 it was 5,775,000 tons—more than doubled. In the same years, Java doubled her crop from 1,616,000 to 3,221,000 tons. Meanwhile, of course, Europe has gone back to work, is largely raising her own sugar; by heavy tariffs and local taxes is closing markets to outside sugars.

The average world production, 1909-14, was 19,363,000 tons. World production for 1929-30 was 29,970,000 tons—an increase of 50%. Consumption has not quite kept up. One-third the world's sugar is made from beets, two-thirds from cane. In 16 years, beet production has increased 16%; cane production 88%.

It is easy to see why prices have sunk below what it costs to produce sugar, even on well-managed Cuban plantations.

American Money Involved

A $10-billion industry faces a severe crisis. American investors are heavily involved. That is why the National City Bank, Hayden Stone & Co., and the Royal Bank of Canada have formed a relief committee with T. L. Chadbourne as chairman.

Java refuses to agree with Cuba to restrict production. That smashes one hope. Java and Cuba together could almost solve the problem.

Of 4,200,000 tons harvested this spring in Cuba, 3,742,000 found no immediate market. In Java, unsold sugar flowed into warehouses for storage only a fortnight after harvest began.

Cuba is in its sixth year of depression. In 1929 Cuba sold 10,272 million pounds for $189 millions. In 1924, it got $374 millions for 8,750 million pounds. A 17% increase in exports was penalized by a 50% decrease in revenue.

Cuban Distress Acute

The distress in Cuba is acute. Trade centers report the lowest volume of business in many years; 6 sugar mills have suspended operations; 5 others say they will not grind next season.

Cuba sells mostly to us, but apparently we are not eating quite as much sugar this year as last, and at any rate, we have a surplus on hand. July 1, it was estimated at 1,065,000 tons. Leading trade authority says it will be 1,689,000 tons by Dec. 31. Consumption of refined sugar, January-June, was 2,936,000 tons, 4% off from last year.

If every man, woman, and child were to use 3 more teaspoonfuls a day, the surplus would be eaten. But after all, we now use 112 pounds a year a person, which is almost twice as much as most countries use.

The tariff now taxes raw sugar imported from Cuba 2c. a pound. That is 13.3% increase over the old tariff. It seems to have helped no one in particular. Instead of putting 2c. into the domestic grower's pocket, it seems merely to have taken 2c. out of the Cuban grower's jeans.

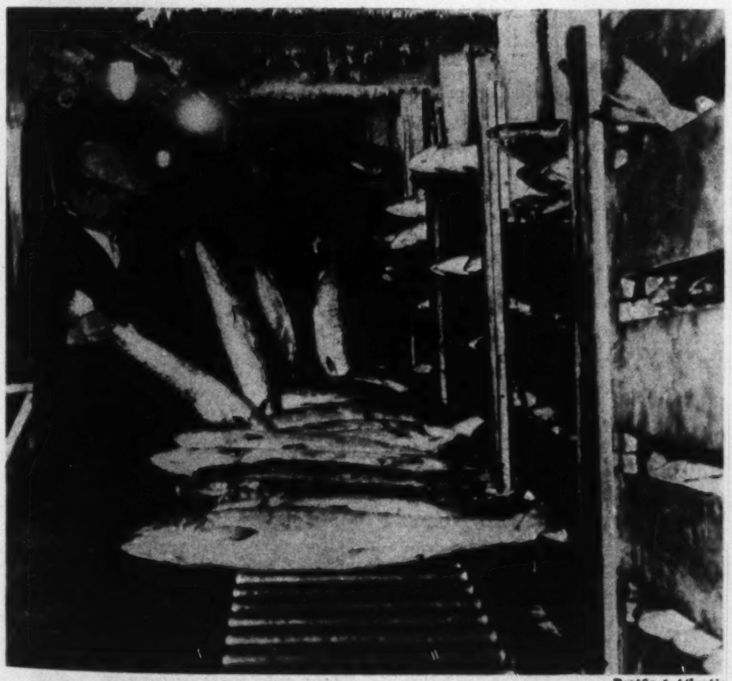
Soviets Make Purchase

Cuba was grateful for the Soviet's recent purchase of 250,000 tons—a sale made possible because the relief committee facilitated the financing. But that sale leaves a million tons in Cuba which nobody seems to want.

Pretty much all over the world, there are local subsidies to encourage each nation to grow its own sugar or else heavy consumption taxes for purposes of revenue.

Even Great Britain is trying to grow her own. She spent $25 millions last year on subsidies to produce 300,000 tons of beet sugar. Simultaneously, she is helping to ruin her own colonies, where sugar is a natural crop. Subsidies in the British West Indies are barely keeping the industry from extinction.

Italy is bent on growing her own



Pacific & Atlantic

CANADIAN SALMON FOR ENGLAND

Nearly 700 tons of salmon, fresh caught in Newfoundland and Labrador, was dumped aboard the Hudson's Bay Company's ship Blue Peter. On the way over, it was quick-frozen by the brine process, the first to be handled in this manner sugar. She taxes imports 12.63c. a pound. Poland's sugar tax is 7.22c. Germany's is 4.59c. In France it is 4c. The result is that the consumption of sugar per capita is about one-half ours. England, 1.28c., and Sweden, 1.22c., have large per capita annual consumption, but not as large as ours.

The answer to sugar's problem is not plain. Finance ministers have no intention of reducing taxes just to help the Cubans. Their home beet growers would be heard from. Also, European psychology is always tinged by forebodings of war. Part of the subsidy is motivated by that. Barring freer marketing abroad, there seems no quick or effective way to stimulate consumption.

Acreage reduction is not simple. Development of sugar plantations means tremendous investment in railroads that gridiron the fields, and in great central machinery plants.

Pump Company Enters Employee Conference Plan

ANOTHER experiment in management-employee cooperation has started in Chicago where the Yeomans Brothers Pump Co. has entered into an agreement with the International Association of Machinists for obtaining stabilization of employment, reduction of costs, improvement of products, and better operating conditions. The plan follows closely that employed on the Baltimore & Ohio R. R. Otto S. Beyer, who was instrumental in the development of that plan, has, as consulting engineer for the Machinists Association, taken an active part in arranging the agreement.

The plan was suggested by the union when the company was confronted with competitive conditions that made stabilized employment and quantity production difficult to obtain. In effect, it consists of monthly conferences between representatives of management and employees. Employee members include local union officials, the chairman of the shop committee, and operatives selected by the different shop departments. Management is represented by the vice-president and general manager --who acts as chairman, the production manager, purchasing agent, chief engineer, and foremen in charge of production, of manufacturing, and of machines.

Decisions are reached by general consensus, not by voting. At the first conference 16 proposals were presented as worthy of discussion and 2 of them were definitely accepted.

THE SHOP TALKS IT OVER WITH THE OFFICE

The first monthly meeting of the employer-employee conference plan at Yeomans Brothers. ***Employees*** *and local union officials discuss current problems with representatives of the management*

June-July Wage Cuts Exceeded Increases, Changing Long Trend

WAGE cuts during the period May 1–July 31, totaling more than 50 and covering some 30 localities, have been reported to The Labor Bureau, Inc., New York. As indicative of the current trend toward pay reductions, this organization notes that, for the first time during the 10 years it has recorded wage changes, June and July showed more cuts than increases.

The reports indicate the building trades as most seriously hit, with reductions in various crafts taking place in the territory of the Minnesota Building Employers Association; in Dayton, O.; Erie, Pa.; Philadelphia; Portland, Ore.; Sioux City, Ia.

Textile and hosiery workers in East Stroudsburg, Easton, Philadelphia, Reading, and York, Pa.; Kalama, Wash.; Lawrence, Mass.; Lewiston and Skowhegan, Me., have all suffered wage cuts within the last few weeks. In addition, the bureau reports cuts for furnace workers throughout the steel industry; bakery workers in Colorado; low-priced shoe firms in Lynn, Mass.; and for a number of other lines.

Among the more prominent concerns whose names appear on the Labor Bureau's list of recent wage cuts are General Motors Corp. through its subsidiary, Fisher Body Corp.; Anaconda Copper Co.; Calumet & Hecla Consolidated Copper Co.; Chrysler Corp.; Consolidation Coal Co.; Union Pacific Railroad.

The bureau's report makes the point that most employees who have suffered wage cuts are not protected by union organizations. In a number of instances cuts led to strikes. These occurred among union truckers of Butte, Mont.; stove mounters of the Abendroth Stove Co., Port Chester, N. Y.; barbers in Youngstown, O.; pattern-makers in the Detroit Gray Iron Casting Co.; in the plants of the Nonpareil Silk Mills at Easton, Pa., the Hulmeville Hosiery Co. of Hulmeville, Pa., the Newark Baking Co., the Penobscot Coal Co. of Avella, Pa., the McKeesport Coal & Coke Co. of McKeesport, Pa., the Taylor Silk Mills of Pawtucket, R. I.

Reports by the Bureau of Labor Statistics covering November 15–May 15 —latest figures available—show that 231 concerns had listed wage cuts affecting 30,000 employees during that period. These cuts were spread over many industries, from agriculture to woolen and worsted goods. In only a few industries are there indications of concerted action toward lower wages; most cuts seem to have been made independently.

Nitrate Cartel Should Help, Not Hurt, American Producers

THE temporary agreement just completed in Berlin between European makers of synthetic nitrates and Chilean natural nitrate interests, together representing 80% of the world's nitrate industry, leaves American producers in a favorable situation, leaders in the chemical industries assert. Producers here, free to expand markets as fast as possible, believe they can undersell members of the cartel, whose principal interest is to keep prices up.

Foreign Production Cut

It is assumed that the first effect of the Berlin agreement will be a sharp decrease in synthetic production. The British and German interests (70% of world synthetic production) are said to have agreed to 50% and 30% reductions respectively; Poland to 40%, and France to 10%. France, however, will not be compelled to reduce production until French output equals demand.

With consummation of the "nitrate cartel," only major market area which remains competitive is the United States. Chemical engineers point out that generous and growing supplies of nitrogen are available in America from both synthetic and by-product sources, and that there is no reason why this supply should not be developed as demand increases; that costs of production in synthetic plants here are constantly being lowered; that there is little doubt but that American producers can undersell European synthetic interests in meeting the American market's call for approximately 470,000 short tons yearly. America now supplies about one-half of that demand.

The real battle in the American market will be waged between the Chilean natural product and the domestic synthetic. Chile now ships 160,000 short tons a year into the United States. Experts estimate that synthetic nitrate can be made here at a cost of $25 to $27.50 a ton; that Chilean nitrate must reach a United States port at an ex-vessel cost of $30 per ton to compete on a profitable basis; that Chilean production costs under present conditions cannot be reduced to permit this.

Of the impending struggle, *Chemical and Metallurgical Engineering* says: "The Chilean government can, and probably as a last desperate measure will, forego part or all of the income on its stock in the new corporation. This would permit lower prices for nitrate with profit to the producers; but the Chilean government would then have to secure a corresponding income elsewhere to maintain its present rate of expenditure. The nitrate tax now represents about one-fourth its income.

"Some concessions may possibly result to the Chilean group from the international agreement with the European industry. This might maintain tonnage outlet on a sufficiently high basis in Europe to favor the industry to a greater degree than now seems likely. Such a change would not have any important bearing upon the competitive situation within the United States, except as it might enable the nitrate producer to quote lower prices in this country than elsewhere without world losses that would be intolerable.

"Reduced average cost of producing nitrate in Chile is certain to result from the expansion of operations by the Guggenheim process. Such improved processes cannot, however, be expected indefinitely to lower the cost of delivered nitrate at Eastern seaboard ports of the United States. Too large a proportion of the total cost is represented by charges that are not affected by plant economies. Furthermore, savings in operating expense under the new process are offset, to a considerable extent, by higher capital charges on the more costly plants. In fact, the carrying charges on the capital invested in the Chilean industry today constitute one of the most serious elements in the cost of Chilean nitrate. Unless the reorganization can effect drastic economies in this regard, the natural nitrate must carry a heavy handicap."

Nitrogen Fertilizers Call For Better Marketing

The capacity of the synthetic nitrogen plants in this country has been quadrupled since 1926—while Congress has been arguing the Muscle Shoals case. The close-mouthed Allied Chemical & Dye Corp. now has at Hopewell, Va., an ammonia plant with a capacity of 108,000 tons per year, several

Brubaker

PAPER MAKING ON THE PACIFIC

The new mill of the Puget Sound Pulp & Timber Company at Everett, Washington, began operations July 1. It is the newest and one of the largest bleached sulphite plants in the United States times the production proposed for Muscle Shoals. At Syracuse, N. Y., the same corporation has a 14,400-ton plant. Du Pont capacity is 54,000. These two corporations, which account for about 90% of domestic capacity, are now able to produce 90% as much nitrogen as was imported from Chile in 1929 (160,000 tons).

Soil Still "Mined"

The fertilizer business in the United States is small as yet compared to what it will be some day. The country is young. Virgin fertility of soil is still being "mined." As things now stand, 70% of all fertilizer is sold in 13 states of the South. North Carolina alone uses considerably more than do all 12 states of the Middle West; 76 times as much as Iowa, where manure prevails.

Some big new markets are appearing in the offing. One is the use of more mixed fertilizers containing nitrogen to supply cheap protein for feeding dairy cattle and livestock. (Nitrogen of the soil is converted into protein in foods.) Experiments are now being made at the University of Wisconsin and elsewhere with the "Hohenheim system," developed in Germany a few years ago, subsequently introduced in England as "grassland system of management." This system calls for a heavy application of fertilizers containing nitrogen on hay or pasture lands early in the year. The result is a stepped-up protein content in hay and grass. Animals need less grain, and grain is costly.

Research Stimulated

Use of nitrogen carriers as a top dressing for grain, applied early in the growing season, gives promise of substantial tonnage increases.

Low prices are, to some degree, stimulating research in its search for new uses. But sales of mixed fertilizer, in which form over two-thirds of American-sold nitrogen goes to market, are not reacting in any marked way to the stimulant of low prices. The price of last year's crop, rather than cost of fertilizer itself, is still the determining element in the volume of farmers' purchases. However, the nitrogen content of such mixed fertilizers has, of late, been substantially increased.

The fertilizer industry, like many others, has made more progress in solving production than distribution problems. Its marketing can be improved upon.

Charles J. Brand, executive head of the National Fertilizer Association, concurs. "I am quite strongly inclined to agree that our industry is stronger on the production side than it is on the distribution side; in fact, this year with a volume of business approaching 8 million tons, a major portion of it has been done without a fair rate of profit, due to unwise business practices."

More coordinated effort is needed to implant in the farmer's mind the basic idea: Increase production per acre and reduce costs per unit of production by properly feeding your crops. Instead, the country is flooded by propaganda and agents saying: "My mixture is best," "No, mine is." L. W. Rowell, head of the Swift & Company fertilizer business, president of the National Fertilizer Association, fears that "all of the time and effort that is being put forth may result in confusion and the confusion may cause a decrease in consumption instead of an increase." He adds: "We cannot blame the farmer if he waits for experts to agree before he gives them his money."

United Action Needed

United action is needed. Mr. Rowell proposes a "Plantfood Institute," to support which all main divisions of the fertilizer industry would chip in a million dollars a year. This institute would undertake research to find out just what fertilizing mixture gives farmers most value for their money in each locality and on each type of soil. Then, instead of each company deciding upon its own prescriptions, the industry would agree upon the best ones.

Widespread national advertising, supplemented by films and other tie-up matter for dealers to use, is included in the plan. To back it up, salesmen of the service-men type, competent to give sound advice to farmers, will be needed.

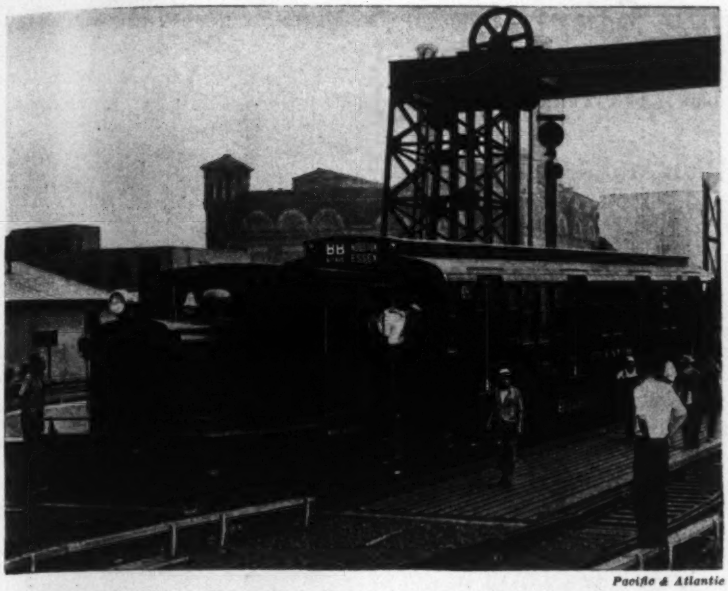
It's Time to Act

The present price situation makes some such intelligently planned action timely. Though nitrogen prices have been greatly reduced, further decreases are anticipated.

For evidence of benefits of systematic selling of a single fertilizer, one need look no further than Chilean nitrate of soda. It has been sold to farmers as such for many years. They demand it and buy it, in spite of the fact that 20 pounds of pure nitrogen in the form of nitrate of soda now costs wholesale $2.70, while the same amount in the form of sulphate of ammonia, the principal competing product, costs $1.90, 4c. a pound less.

THE TELETYPESETTER GOES TO WORK

The machine which sets newspaper type by wire gets its first commercial job in Westchester County, New York. Here it serves 7 daily papers, setting type in 7 widely scattered composing rooms at the same time. Walter Morey (left, standing) the inventor, and J. Noel Macy, president of Westchester County Publishers, watch the central operator as he sends out a news story



Pacific & Atlantic

NEW YORK GETS READY FOR THE CRUSH

The first of 300 new cars for the Eighth Avenue subway arrives from the American Car & Foundry shops at Berwick, Pennsylvania. It rolled to Hoboken on its own trucks as a test, was floated across to the Harlem River yards. A gasoline locomotive is towing it

Weakness of Rubber Market Strengthens New Control Plan

APPARENTLY little disheartened by failure of the Stevenson Restriction Act, of the rubber tapping holiday last May, or of practically every attempt at artificial restriction of production in other commodities, British and Dutch rubber growers are starting another plan to curtail rubber output. At a recent meeting of the British-Dutch Liaison Committee it was voted to try to restrict output to 75% of 1929 production; to set a pivotal price of 10 pence—about 20 cents; to enlist British and Dutch governments behind the scheme, chiefly to use their influence with native rubber producers.

No Signs of Pick-up

Current rubber prices are around 10 cents per pound—record lows; 1930 consumption is 20% below 1929; shows no signs of picking up; stocks are large and increasing. Under these conditions, many in the industry believe that restriction is bound to come either by voluntary cooperation or through the force of circumstances. Already some rubber estates have closed down; others will follow, no longer able to stand the drain of capital by unprofitable operations.

A chief reason for the failure of the Stevenson Act was the non-cooperation of Dutch growers. Now they have taken the lead in the new plan but have required months to persuade the "once bitten, twice shy" Britishers to play ball with them. Even with British and Dutch interests agreed on restriction there is still trouble ahead. In Malaya, native growers supply about 48% of total output; in Dutch East Indies about 39%. In the latter district important American rubber growing interests, affiliated with tire and rubber manufacturing concerns, oppose restrictions.

Recently 112 Dutch planters, representing about 39,000 annual tons of rubber, voted for the restriction plan, but 21 American growers, with 26,000 annual capacity, opposed.

The British Labor government is reported to be against the proposal, although not theoretically opposed to government intervention in commercial affairs. The Dutch East Indian government has been averse to interference, but possible salvage of an industry in which some $4 billions of British and Dutch funds have been invested is likely to have paramount influence.

With close agreement among British and Dutch producers, government's task will be that of controlling native output —a formidable job. Late this month Sir Cecil Clementi, governor of the British Straits Settlements, is to visit Governor-General de Graas of the Dutch East Indies, when the rubber question and particularly native rubber is expected to be discussed.

Those in favor of restriction believe the current low prices will aid to its success; until prices become much higher there will be little incentive for increased plantings such as took place during the Stevenson restriction period. Opponents of restriction point out that it will not cure fundamental ills of the industry. These include too many producing companies, over-capitalization, poor management, lack of adequate funds, poor yields.

Minneapolis Claims Grain Hedging Title

MINNEAPOLIS now claims the title of premier grain hedging market of the nation.

Directors of the Minneapolis Chamber of Commerce have declared terminal elevators of Duluth and Superior to be "regular" as to acceptance of their warehouse receipts for futures contracts.

The result is an increase of 46,000,000 bushels in the terminal elevator capacity for grain deliverable to the Minneapolis Chamber upon futures contracts. This gives the market a total of 96,000,000 bushels of elevator space.

Action of the chamber recognizes that, because of certain transit privileges, grain situated at Duluth and Superior is just as advantageously located for all-rail transportation as at Minneapolis itself, and that in addition it can be loaded into lake boats.

Minnesota Farm Experts Will Advise Russians

SOVIET authorities have signed technical asistance contracts with two Minnesota livestock experts. H. G. Zavoral, livestock specialist at the University of Minnesota model farm, and manager for the last 5 years of the Junior Livestock Show at South St. Paul, has been appointed general livestock expert for Russia. John C. Plonsky, manager of hog feeding operations for the King Pig Co., of South St. Paul, has been named swine feeding expert for the Soviets. Both arranged to sail from New York August 16.

World Price Declines Start Attack on War Settlements

Clamor for Revision of Young Plan and Allied Debts Grows With Rise in Purchasing Power of Gold

EVIDENCE fast accumulates that the Young Plan and, behind it, the Allied debt settlements with the United States will soon be under heavy fire. Fanned by the hot breezes of hostile opinion set up by the current price decline, the whole smoldering mass of dissatisfaction over reparations and debt payments is flaming into an attack that may leave all "final liquidations of the World War" looking anything but final.

Behind present agitation—and confidential conversations between European governments are already in the air—may be heard the ancient charges of injustice that price declines always wring from debtors who contracted their debts before the declines started. Debtor governments are no different from debtor individuals, and a drop in values that means a rise in the value of the gold on which the currencies in which they must pay their obligations are based may be confidently expected to call forth the age-old protest.

Here's the Setting

The setting in which a new attack on the Young Plan and the debt settlements is likely to be launched is easily understood:

In early 1929, Germany convinced the late Allies that the 2,500 million mark ($595 millions) annuities imposed upon her by the Dawes Plan were over-onerous. Followed a series of conferences resulting in the Young Plan, which reduced these annuities to 1,989 million marks ($473 millions). This figure was agreed to by the Allies only after Germany had balked at their first demand for 2,200 million marks a year as impossible of payment.

Out of these reparation payments by Germany, made principally to Great Britain, France, Belgium, and Italy, the allied nations were bound to make annual payments on war debts to the United States, totaling currently slightly less than $240 millions a year. Today these payments amount to less than half their receipts to Germany but, under the various debt-funding plans, this easy relationship is subject to progressive and drastic changes. France must pay us $35 millions in 1930, $100 millions in 1937, $125 millions in 1942; Great Britain, $160 millions in 1930, $183 millions annually beginning with 1933; Italy, $5 millions this year, $14 millions next, $21 millions in 1941, increasing annually thereafter to $80 millions in 1986.

But Gold Rises!

But—and it is over the top of this "but" that the new attack on the Young Plan will be launched—gold has been enhanced 19% in value by the drop in prices that has taken place since the Young Plan was put into effect. The result is that Germany's obligation to pay 1,989 million marks a year really obligates her to pass over the purchasing power of 2,366 million marks annually ($567 millions), far above the figure she had previously branded as beyond her means. At the same time, and for the same reason, the $240-million-a-year debt of the European Allies to the United States has acquired an added purchasing power of $26 millions since 1929, Young Plan year—$38 millions above the level of 1925 when many of the European debts were funded. And the dollar increases coming soon will be likewise augmented.

All Europe Agrees

Great Britain with 2 million unemployed, Italy straining for stability, France beginning to feel the depression, all have faced with ill-concealed irritation the prospect of increasing debt payments to the United States under the terms of their funding plans. In that frame of mind they have needed but little contemplation of the increase in the purchasing power of their payments in the last 5 years, but little meditation over the added uncertainties of the future to fan their discontent into flame. Germany has obvious excuse for clamor.

Incidentally, Europe is beginning to remember that the present situation might have been prevented by a little deliberate foresight—and some accommodation on the part of the United States. The Dawes Plan agreement contained a clause providing for automatic adjustment of annuities with every 10% change in the value of gold. But, because the Allied debts to the United States were not so protected, no such clause was provided in the Young Plan and the Allies will never offer that kind of protection to Germany until they get it from the United States.

Keystone

IT'S A MONUMENT

Germany (it would be Germany) erects this queer-looking affair as a memorial to Nikolaus Otto, inventor of the gas motor. It is, as you have guessed, a model of his first machine

The disturbing effect of these reparation and war debt payments on international gold movements is being cited as another reason for objection to continuance in their present form. Before the war when gold flowed into a nation, inflation and rising prices resulted. Higher prices increased imports, in payment for which gold flowed outward again. Rising interest rates in the nation losing gold helped to pull it back.

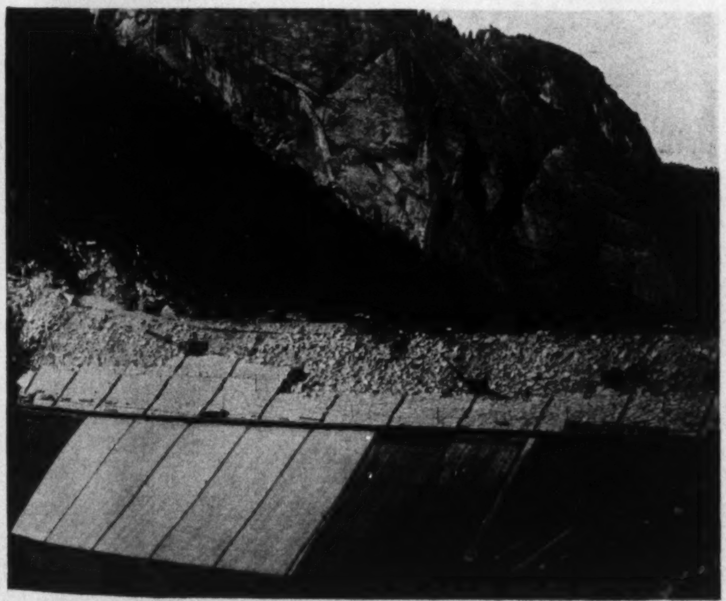
Automatic Process Stops

This automatic process of readjustment no longer works. Because of the war debts, gold automatically flows to the United States unless some artificial counter-factor is created—such as was provided by our foreign investments until last year and now is beginning to work again.

Thus already disturbed, the world's gold movements have been thrown into almost complete confusion by the troublesome accumulation of gold by France. When France returned to the gold standard in June, 1928, she stabilized the wildly fluctuating franc at 3.93 cents, less than its purchasing power at home. The immediate result was a rush of exports and tourist business, a sharp drop in imports—and a large favorable balance of trade, both visible and invisible, taking the form of foreign exchange held by the Bank of France and the government. Today, France is receiving millions of dollars in gold that she doesn't need, and, while her withdrawals from our surplus are harmless, takings from short-handed London are serious and even more serious is the possibility of takings from Berlin.

While this accumulation of gold by France is not a result of the war debt situation, its profoundly disturbing effect is certain to be urged before any new international financial conference as an added reason for taking the gold situation in hand.

The whole problem falls directly into the realm of the World Bank, and the existence of that institution probably will make readjustment less painful. Central Banking authorities meet there regularly in conference and may evolve a plan with less struggle than a weighty international conference, with the conference to come later on.



For Lights and Drinks

130,000 acre feet of water will be impounded by this rock-filled dam—largest of its kind—now being built across the Mokelumne River for Pacific Gas & Electric; 5 power houses will take 228,000 horsepower from the stream, before it flows into the reservoir which supplies cities on the eastern shore of San Francisco Bay

Business Sees Recovery Braked By Over-cautious Bankers

With business at a crucial stage, approaching in an atmosphere of uncertainty the time when it would normally look for the beginning of a seasonal fall pick-up, thoughtful business men are becoming critical of the extreme conservatism of the banks and the Federal Reserve system. They say that the banks and the system, swayed by the uncertainty, unduly fearful of later criticism, are far too cautious, and it is clearly apparent that banking caution, amounting to credit restriction in many districts, is badly impeding progress toward business recovery.

Situation Aggravated

The situation of which they complain has existed for some time but has been aggravated as the banks have taken a new hitch in their policies with the protraction of inactivity and unemployment and the coming of the drought. Typical is the way in which the banks have invested the funds piled up in their hands, as the slowing down of business has left money inactive and reduced the volume of credit. Their investments have been made chiefly at three points:

(1) The bond market—but only the best issues have been purchased, resulting in an unusually selective market with the rise coming only in the top flight;

(2) Short-term secondary investments of the most liquid form—bringing a demand that has driven rates in this class sharply downward: commercial paper to 3%, call money to 2@2½%, time collateral loans to 2½%, bankers' acceptances to 2@1⅞%.

Heavy Security Loans

(3) Secured loans—resulting in an increase of more than $500 millions since the year opened.

The safety of funds invested in this way is unquestioned. With secured loans, margins still are high, despite the deflated condition of the securities market. However, this drive for safety is a swing almost to the opposite extreme from the tendency prevailing a year and two years ago, when the banks were lending liberally on almost any request. A part of this reaction represents a desirable return to sounder banking. The rest of it has been called "ultra-conservatism, impeding business."

With this swing, commercial loans have decreased during the year by $701 millions, due partly to seasonal factors, partly to the price recession, partly to growing restrictions imposed by bankers. Open lines of credit are limited.

Interest rates charged by banks for commercial loans directly to customers have declined but little. The current average for 27 southern and western cities, as shown by the Federal Reserve Board, is 5.69%, a decline of only .47% from a year ago. For 8 northern and eastern cities the average is 5.06%, 0.96% below a year ago.

Business Loans Costly

The rates now charged for prime commercial loans are high. In 36 cities examined the lowest rate was 4%, but in only nine cities was the minimum below 5% for the best paper. Other charges range on up to 8% and higher in leading cities, while even greater charges, if legal, are encountered in smaller centers. The low rates so often quoted are obtained by only a comparatively few businesses. Fortunate ones who can sell their paper on the open market can get the best rates.

Reliable observers in representative

cities throughout the country tell *The Business Week* that:

In Boston—"Banks are now scrutinizing loans more carefully than they have for several years. They require more frequent financial statements. They have plenty of money but are exercising far greater care in investing it. They are keeping rates as high as they can and still maintain a demand from reliable borrowers. Savings banks keep their home loans on a 6% basis even more strictly than they did two or three years ago. Bankers say they get no more than the usual number of complaints."

In New York—"The banks undoubtedly are being too cautious, retarding business progress. They are, of course, in a sound, strong condition."

In Kansas City—"A small business man has difficulty obtaining accommodations under 8%. Banks are very strict."

In Dallas—"Loans directly to customers for commercial purposes have dropped off sharply because merchants are not buying and have ample capital to operate on with the limited inventories existing. A more cautious credit policy on the part of the banks is readily admitted."

In Cleveland—"Banks insist they have not swung from extreme ease to extreme tightness in lending. But the application of their present requirements has, in some instances, written off as borrowers concerns which have been borrowers before. Profits have been changed into losses and the application of customary ratios has eliminated them as good risks. Loans for dwelling house construction have diminished because banks have reduced the appraisals of houses by 20%."

Washington observers add—"Aside from interest rates, there is some tightness of money in the country today. Country banks especially are demanding greater liquidation and not granting large loans. Very little change in interest rates either up or down for farmers."

Store-door Delivery Ends, Railroads Not Agreed

PRESIDENTS of trunk lines entering the metropolitan area of New York have met two and three times weekly to deal with the problem arising out of the B. & O's determination to make store-door delivery on carload shipments (*The Business Week,* Aug. 6). Ultimately, despite the interest and desires of shippers, the plan was shelved by agreement, on the plea that "the time is not yet ripe."

Although completely organized to render the service, the B. & O. agreed to its discontinuance. It reserved for itself, however, freedom of action, intending to watch developments.

The Pennsylvania and Lehigh Valley are going to carry freight from loading platform to inland freight station on their own trucks, whence shippers must move freight by whatever method they choose.

Erie R.R. continues to handle trucking from car to inland station through a subsidiary—United States Trucking Co.

New York Central All Set

New York Central acts more or less as an innocent bystander, because it will eventually be in a preferred position to render store-door service in New York at minimum cost and is satisfied to delay any move until it is ready.

Similarly the Port Authority of New York expects that with the opening of its union inland freight station at 14th Street and Ninth Avenue, 2 years hence, it will be in position to render the added service when it will be more urgently needed than it is right now.

Manufacturers, interested in lowering time taken and freight costs from plant to consumer, actively urge country-wide store-door delivery. Trade associations have voiced approval.

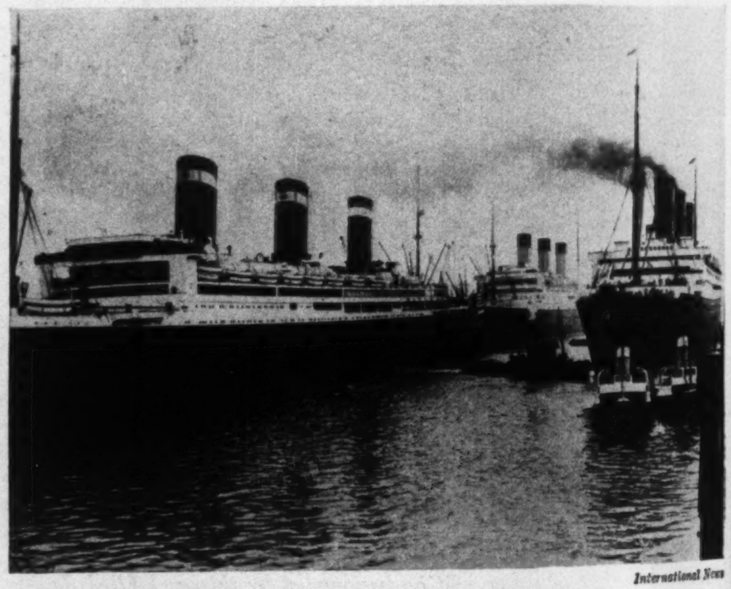
Hudson-Essex to Fight With Prices, Not Models

THE automobile industry has been wondering what Hudson-Essex would do in the face of new models recently announced by Chrysler and Buick. It had its answer Wednesday—not in new models but in drastic cuts.

Hudson 8's, formerly priced from $1050 to $1650, are now available from $885 to $1300; Essex 6's were sold formerly from $765 to $995; are now priced from $650 to $795. Cuts on Hudsons ranged from $100 to $350; on Essex, from $65 to $300.

These cuts make Hudson products competitors in new price classes. Based on the lowest-priced, 5-passenger closed car, the Hudson cut sends it below the new Buick 8-50; the DeSoto 8; the Chrysler 66; the Auburn 6-85; the Marmon Roosevelt 8; the Willys-Knight 87; the Nash Single Six; the Studebaker 6; the Dodge 6, and makes it all even with the Oldsmobile 6. The Essex coach, priced now at $650, is just above the Plymouth and Chevrolet, both priced at $565; it passed the Willys 985, the Durant 6-14 and the Whippet 98A on the way down.

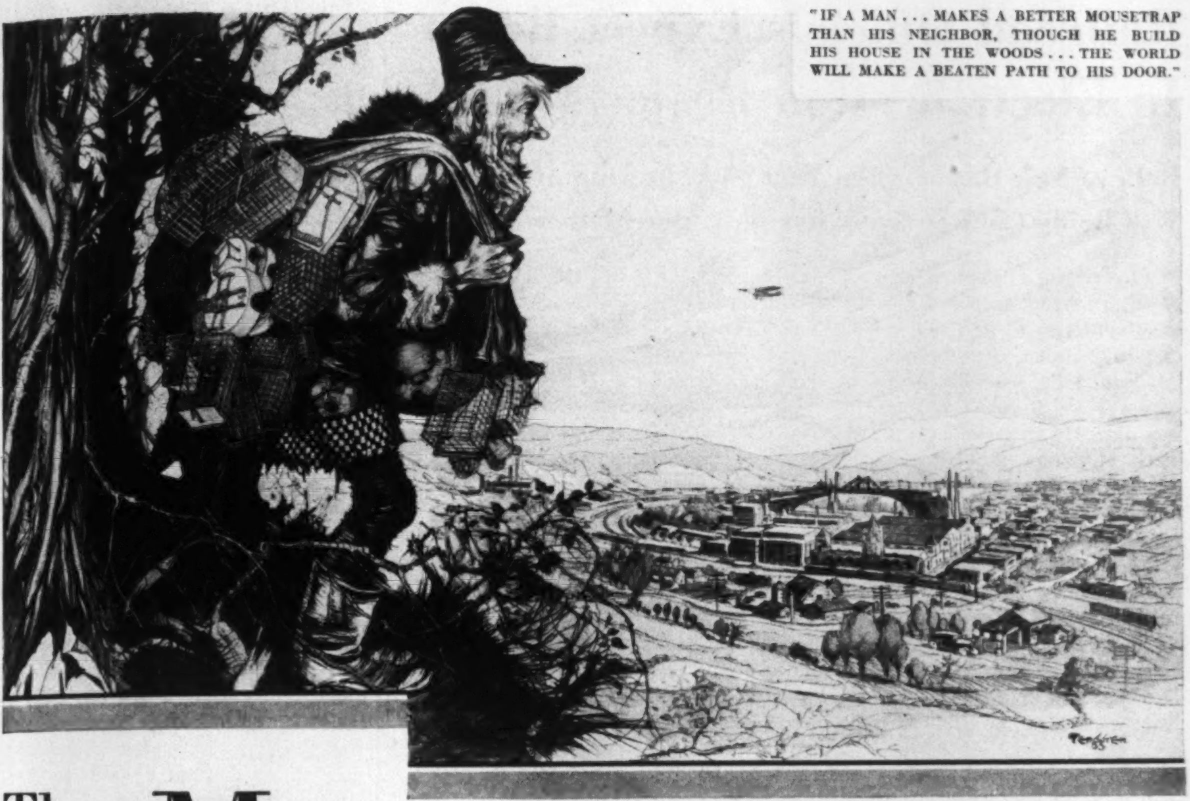
Oakland Motor Co. also has announced cuts—of $130 to $170 in Oakland cars and $80 to $110 on Pontiac—but these were for the express purpose of clearing decks for new models.



International News

170,000 TONS OF LINERS

The Leviathan (left) Majestic (center) and Berengaria (right) berthed in Southampton at the same time. Largest in the world, they are not having an easy time this season on curtailed passenger lists



"IF A MAN . . . MAKES A BETTER MOUSETRAP THAN HIS NEIGHBOR, THOUGH HE BUILD HIS HOUSE IN THE WOODS . . . THE WORLD WILL MAKE A BEATEN PATH TO HIS DOOR."

The MOUSE-TRAP MAKER *comes out of the woods*

BUSINESS hadn't been so good with the old mouse-trap maker. He still made the finest mousetraps. Yet fewer and fewer villagers followed the proverbial "beaten path" that led through the woods to his door.

"Why don't you move?" the village wise man asked. "Why not locate your plant nearer its market? You may pay a little more for your raw material, but you'll pay a lot less to market your finished goods."

Modern science now considers seven factors in locating a plant. At least two of these point unmistakably to New York State. They are:

1. *Lower cost of distribution*
2. *Lower cost of electricity*

Cost of distribution is industry's chief problem today. If you locate in New York State, you are at the center of 49% of the country's people and 55% of its wealth. You have the foreign markets of the world at your back gate.

Your electric power in Niagara Hudson territory costs you far less than the nation's average. A comparison of electric rates has influenced many industries to locate in New York State.

Here labor is skilled, substantial and plentiful. Raw materials are easily available. Capital is abundant and climate is favorable.

If you are a manufacturer interested in locating your plant on a modern scientific fact basis, send for the new 28-page illustrated booklet, "New York, the Great Industrial State." It is sent without a personal follow-up. Address Niagara Hudson Power Corporation, Industrial Development Bureau, Albany, New York.

Or, perhaps you may want to go further and study the question in terms of your own costs. For such an analysis, the trained services of the Bureau's engineers are yours for the asking. These men will rest their case on the facts.

NIAGARA HUDSON

Hear Niagara Hudson broadcast fascinating stories of New York State.
Every Thursday night 7:30-8:00 (Eastern Daylight Time).
WEAF, WGR, WGY, WSYR.

Write for our new book, describing the industrial territory served by Niagara Hudson Power Corporation, including among others the localities listed below:

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CANASTOTA
CANTON
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COBLESKILL
CORTLAND
COHOES
DEPEW
DOLGEVILLE
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E. SYRACUSE
FAIRPORT
FALCONER
FORT EDWARD
FORT PLAIN
FRANKFORT
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GENESEO
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GLOVERSVILLE
GOUVERNEUR
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GREEN ISLAND
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LOWVILLE
LYONS
MALONE
MASSENA
MEDINA
MOHAWK
NEW YORK MILLS
NIAGARA FALLS
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NORWOOD
OGDENSBURG
OLEAN
ONEIDA
OSWEGO
POTSDAM
PULASKI
RENSSELAER
ROME
ROTTERDAM
ST. JOHNSVILLE
SALAMANCA
SARATOGA SPRINGS
SCHENECTADY
SCOTIA
SKANEATELES
SOLVAY
SYRACUSE
TONAWANDA
TROY
UTICA
WATERFORD
WATERTOWN
WATERVLIET
WELLSVILLE
WESTFIELD
WHITEHALL
WHITESBORO
WILLIAMSVILLE

Railroad Officials Expect Boom In Electrification Projects

Believe New B. & O. Program and Showing of Penn Will Bring Change from Steam on Many Other Lines

POSSIBILITY that electrification of the New York-Philadelphia line of the Reading–Jersey Central railroad may be undertaken soon after the Baltimore & Ohio formally acquires control of the system (*The Business Week*, Aug. 6) was discussed in eastern rail circles this week. Opinion is that electrification would later be extended from Philadelphia to Washington over the B. & O. tracks. This will parallel the Pennsylvania electrification between the same points already completed from Philadelphia toward Washington as far as Wilmington, Del., and toward New York as far as Trenton, N. J., with the line between New York and New Brunswick, N. J., probably to be opened next year.

3,500 Miles Electrified

Completion of these two lines would add 450 miles to the electrified route mileage of the country, which now totals 3,500. Other important projects now under way or definitely planned:

Delaware, Lackawanna & Western—70-mile line from Hoboken to Dover, N. J. Suburban service as far as Montclair, N. J. will begin Sept. 1.

Reading—Philadelphia terminal and suburban lines running out of it. Work is reported as far ahead of schedule and line will be ready for service in April, 1931.

Lehigh Valley—Main line between Mauch Chunk and Wilkes-Barre, Pa., 75 miles, planned.

New York Central—Detailed plans have been drawn for electrifying from New York to Buffalo at a cost of $150 millions.

Last year more than 200 miles of track were electrified. The major portion of this was the 150-mile line of the Pennsylvania from Philadelphia to Wilmington, Del. Next largest installation was in Chicago and vicinity by the Illinois Central (26 miles).

Longest Line in West

Longest electrified system in the United States is that of the Chicago, Milwaukee, St. Paul & Pacific from Harlowton, Mont. to Avery, Idaho, and from Othello to Seattle, Wash., via Spokane (677 route miles). The work completed this year by the Pennsylvania makes that road second in the list with 250 miles. The Fort Dodge, Des Moines & Southern comes next with its 146-mile line between Fort Dodge and Rockwell, Iowa. Fourth in the list is the New York, New Haven & Hartford with 6 lines (146 miles).

From the point of view of tonnage handled, the Norfolk & Western and the Virginian Railway rank first followed by the New York, New Haven & Hartford and the Chicago, Milwaukee, St. Paul & Pacific. The Pennsylvania system, when completed, will top the list both in mileage and tonnage.

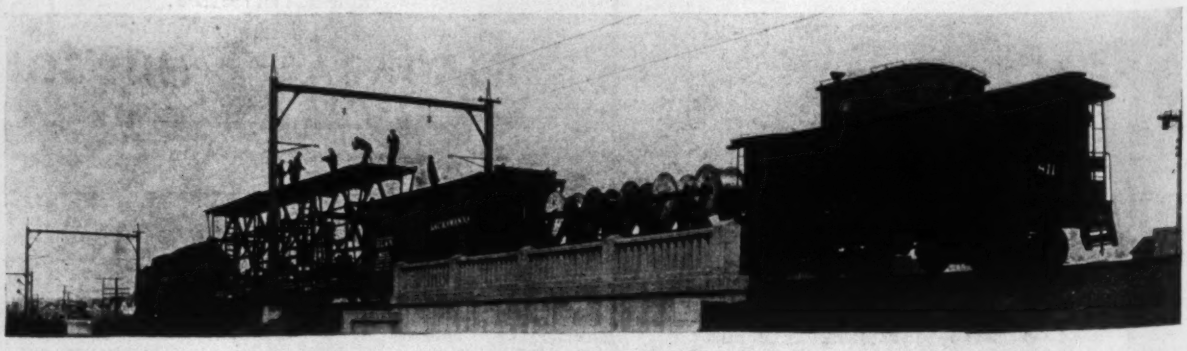
Rail officials, discussing electrification, agree generally on its advantages as set forth by Elisha Lee, vice-president of the Pennsylvania: "It eliminates smoke and gases from trains which must be routed under sub-surface terminals; increases the capacity of dead-end terminal stations because, by substituting multiple-unit electric motor car trains for locomotive trains, there is a 75% reduction in train-handling movements; permits handling more traffic without increasing trackage or number of locomotives, by permitting haulage of heavier trains, elimination of double-heading, and by increased acceleration and higher running speeds."

Cost $53,700 a Mile

An obstacle in the way of electrification is the enormous outlay necessary for construction. The Chicago, Milwaukee, St. Paul & Pacific, for instance, paid out $53,700 a route mile for its 210-mile Coast division electrification.

Discussions in rail circles naturally revolve around savings which may be effected. An analysis of main-line electric operation shows that operating costs for handling 1,000 ton miles of traffic by steam range between $1.45 and $5.05, whereas after electrification the cost varies from 53 cents to $2.94. On the Harlowton-Avery division of the Chicago, Milwaukee, St. Paul & Pacific costs per 1,000 ton-miles average 90 cents compared with $1.59 under steam—a 43% saving.

Engineers maintain that electrification has never been tried in this country on a scale that will indicate all possible savings. The fact that the Pennsylvania and other leading roads whose traffic is heavy enough to justify the capital expenditure are going in for extensive programs is, they say, proof that the advantages are much greater than have been admitted in this country. They believe that when operating figures from these projects become available there will be a boom in electrification.

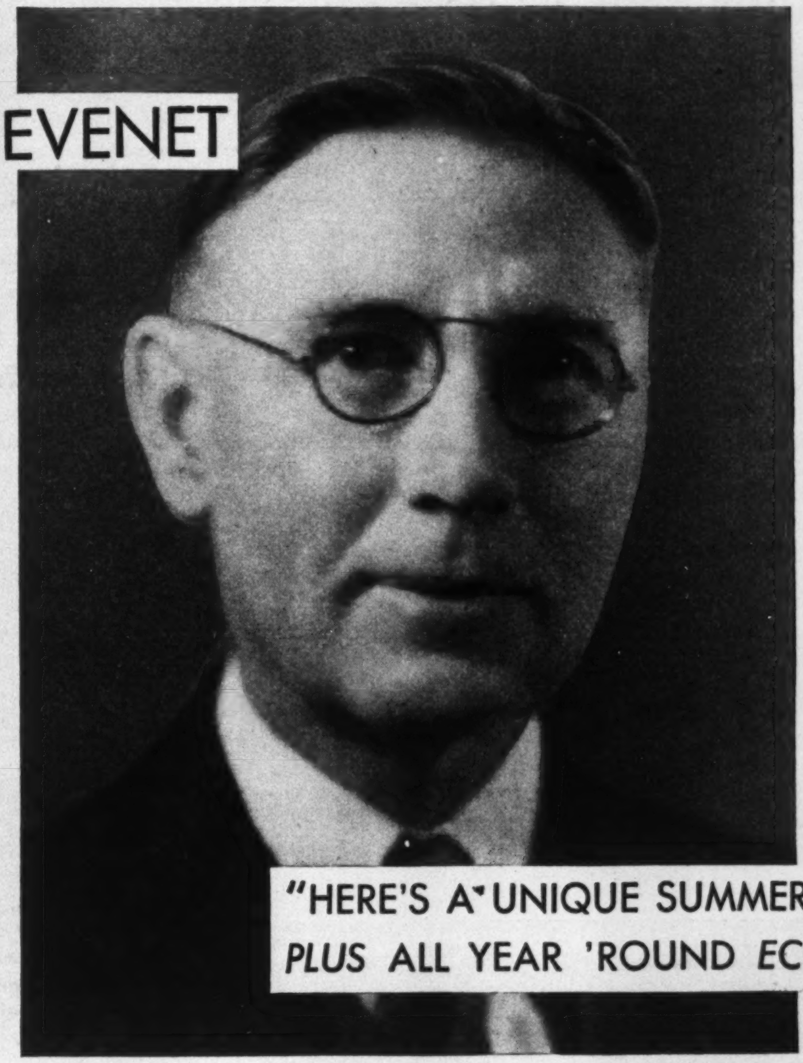


ELECTRIFYING THE LACKAWANNA

First the overhead bridges are set up. Then this special construction train makes seven trips up and down the line hanging insulators, stringing wires. By doing one thing at a time, installation is speeded up

P. N. THEVENET

VICE-PRESIDENT
SOUTHLAND
INSURANCE
COMPANY



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"SOME of my business acquaintances seem to dread the calendar's announcement that the vacation season, with its absent secretaries, is just around the corner," says Mr. Thevenet. "But I tell them about the Dictaphone 'Vacation Rescue Service,' and remind them that if they used the Dictaphone system in their offices it would be a simple matter for the Dictaphone Employment Bureau to furnish capable, experienced Dictaphone secretaries and operators — almost on a moment's notice.

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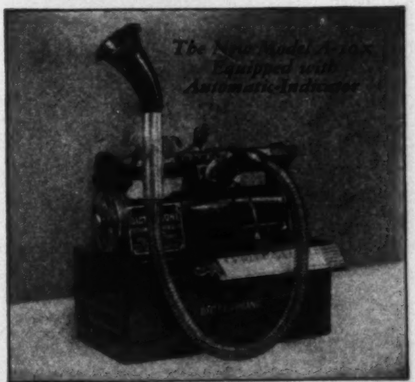

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French Join Italians to Kill European Automobile Accord

By Special Cable to The Business Week

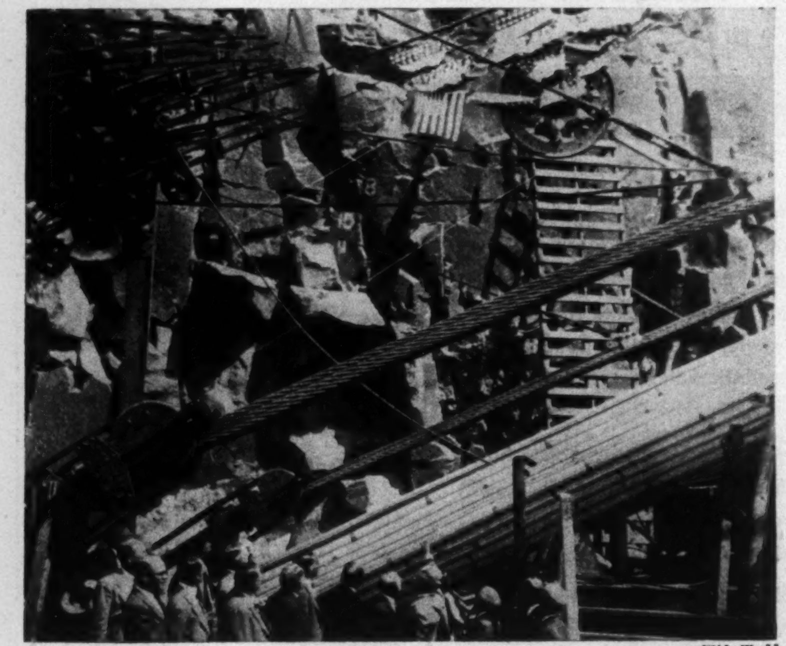
LATER information confirms the opinion expressed here last week that the recent conference of European automobile manufacturers to discuss import quotas resulted in failure. Not merely the Italian delegates, but also 3 French manufacturers had an important part in disrupting the conference.

Citroen, leading French small car manufacturer, decided to stand on his own legs and take his chances in the European markets. He prevailed upon Renault and Peugeot to go along with him. None of these concerns is indifferent to the French tariffs or to possibly advantageous agreements with other countries. But they believe that they occupy the strongest competitive position in Europe and hope to be able to improve it notwithstanding American competition. Under the circumstances, they consider they would stand to lose more than they would gain by committing themselves to an international tie-up by which their export markets in Europe would be rigidly limited.

Italy opposed the plan because its automotive industry is largely dependent upon exports. Fiat, the largest concern, exports about 75% of its total production. During the last 2 years, however, exports have declined while imports have increased, reaching 9,000 units in 1929, of which the United States contributed nearly 6,000. Under the recently changed Italian tariff, foreign cars are virtually barred, thus considerably increasing possibilities for domestic sales. So Italy feels there would be no advantage for her in the quota scheme whereas it would endanger her important export markets.

Italians on Defensive

There is an interesting difference in attitude between the French and Italians in opposing the quota scheme. The French take a self-reliant, aggressive attitude, while the Italian position is chiefly defensive. Theoretically the community of interests of European manufacturers against United States competition should be greater than the differences among themselves. Practically, recent years have seen successive failures to reconcile these differences. Indeed, the differences have been further accentuated by progressive raising of tariffs, while American manufacturers have increasingly been abandoning exports and turning toward more intensive penetration of European markets through establishment of local assembly and manufacturing plants.



Wide World

THE LAST STRAND

Spinning the last wire for the cables of the Hudson River Bridge was done with appropriate ceremony. This picture, taken on the Jersey shore, shows the officials gathered for the occasion. In the background is one of the cables. Above, right, is the "spider," flag-bedecked, which has just brought over the wire from the Manhattan side

Ford Opens Loophole In Spanish Tariff

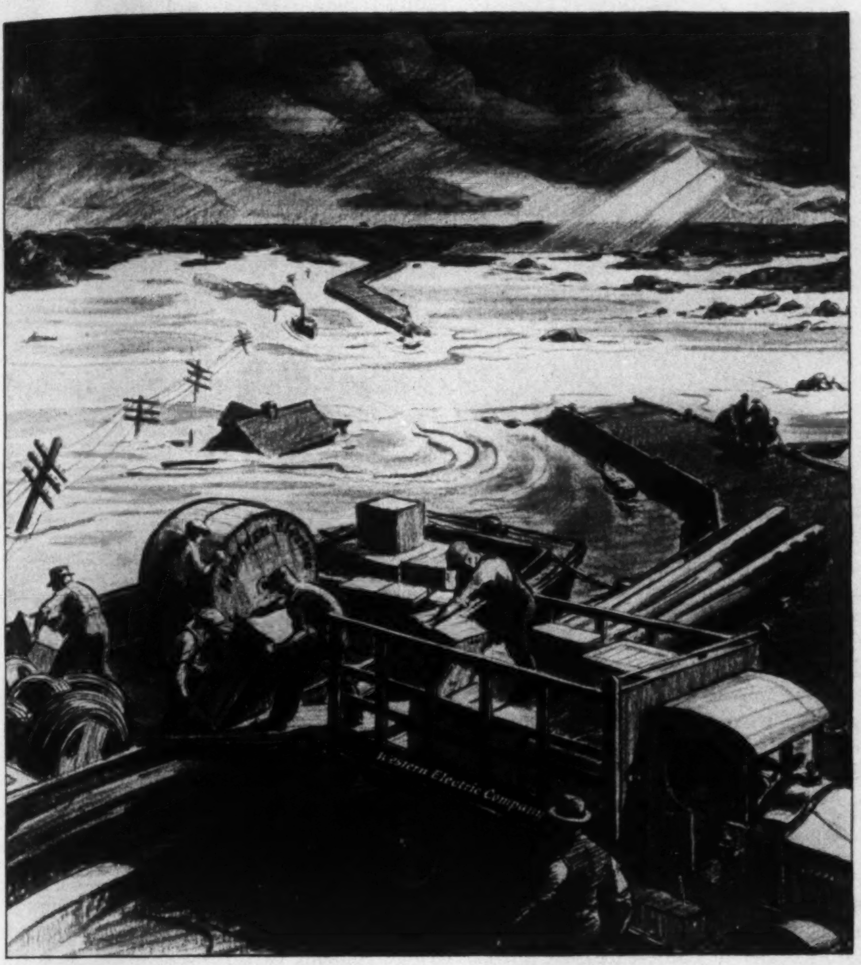
HENRY FORD'S plans to sell the Spanish market from a Barcelona assembly plant will be carried out despite Madrid's drastic new tariff. Spain can not afford to lose employment for 600 men. Ford's prompt move, when the tariff was announced, of dismissing the entire force and advertising in all leading newspapers that stocks would be sold at old prices for quick disposal, left no doubt in the minds of Spanish business men as to the policy to be pursued. A special ruling from Madrid specifies that the super-duty is not applicable to cars assembled in Spain. Ford's Barcelona plant promptly re-employed 150 workmen, resumed activity.

Spain's ban is drastic. Duties are doubled. More than this, there is a clause in the new tariff which imposes a super-duty of more than 27 cents a pound on non-European cars assembled in Europe. Spanish authorities say the purpose is to help Spanish shipping by inducing direct importation from the United States of completed American cars instead of Spain's receiving cars from European assembling plants of American companies.

15-Year-Old Boys Scarce, France Buys Machinery

ELECTRICAL manufacturers have an eye on Europe as a fertile market for electrical equipment. Drastic decline in birth rate during the war is now making itself felt in French industry in a serious shortage of apprentice labor. Factories are seeking in vain for 15-year-old boys who would this year have begun to shoulder their industrial burden; are turning to electrical and mechanical substitutes for human labor.

French restrictions on importation from the United States do not, in general, include electrical appliances and equipment. Shipments from the United States last year totaled $3,028,509.



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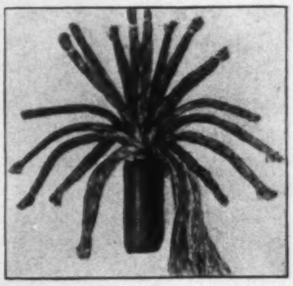
This Company manufactures telephone equipment of every sort, with a skill acquired through 50 years' experience. At 32 warehouses it holds great reserves of telephone material available for shipment day or night. It delivers and installs the apparatus when and where needed.

The large scale manufacture of standardized equipment, too, is an economy. So is the concentrated purchasing—a responsibility that Western Electric undertakes for the telephone companies of the Bell System. All in all, here is a work of mass production, purchasing and distribution which for size and complexity has no parallel in industry.



1818 conversations at one time can be carried on through this new type cable It contains 3636 insulated wires within a diameter of 2⅝ ins.

The flying telephone laboratory in which Western Electric airplane telephone equipment has been developed by the Bell Laboratories. Provision for communication between ground and plane marks a great forward step in flying.

One of the 18 materials in your telephone is rubber from the plantations of Sumatra. Western Electric goes to market in every corner of the world.

Western Electric

THE MAKERS OF
BELL TELEPHONES

Imperial Conference May Force MacDonald's Hand on Tariff

Preparatory Report Hints at a Commission But Issue Will Be a Hard One to Dodge

European Bureau
The Business Week

AT the rising of the British Parliament for the summer recess, the policy on which the Labor Government will enter the coming Imperial Conference remains undecided. The general position can be simply stated. The Dominion Governments will enter the discussions intent upon achieving an extension of preferences, and prepared in most cases to offer the Home Government substantial concessions. The Home Government will be unable to reciprocate unless it abandons the rigid system of free imports for which Labor in Britain has always officially stood. The whole conference will thus turn on the strength displayed by the free trade wing (led by Chancellor Snowden) against a growing body in favor of tariffs, unofficially led by Minister Thomas, Minister for Dominion Affairs.

The Swing Toward Tariffs

The general political public of Britain has swung with remarkable force towards tariffs during the past 12 months. The "whole-hog" policy of Lords Rothermere and Beaverbrook for full tariffs, including food taxes, is gaining adherents, and has been strengthened by the recent Bankers' Manifesto and the vote of the Manchester Chamber of Commerce. That fringe of voters which despairs of emerging from the slump without the aid of tariffs but which will not go as far as Beaverbrook supports the halfway policy of Baldwin and the official Conservatives. The Government is thus left with the support of only one section of its own followers and the remnant of the Liberal Party, which is no longer a real force, although it holds the balance of votes in the House of Commons.

Discuss Import Boards

The anti-tariff wing of the Labor party is actively discussing a system of import boards to regulate foreign purchases of specific commodities, thus showing again that Labor to-day is ready to use all protective measures except tariffs with a good face. The step from a readiness to protect by import boards and other means to a readiness to apply tariffs is not a long one and it is possible that the weight of the Dominion representatives at the Imperial Conference may greatly change the Government's attitude. The country is prepared for some such change by a declaration that Premier MacDonald will, as far as he is able, enter the conference with "free hands."

Each Imperial Conference is prefaced by a meeting of a body known as the British Preparatory Committee which comprises representatives of the Associated British Chambers of Commerce, the Federation of British Industries and the Chamber of Shipping of the United Kingdom. These bodies have issued a unanimous report in which they stress as the points of paramount interest: (1) The necessity for increasing the trade of the Empire; (2) An Empire economic policy.

If the Empire is to arrive at a common policy, machinery must be created and the Committee suggests: (1) That such machinery be set up; (2) That a permanent secretariat (economic) be created; (3) That Empire economic policy be made a scientific study; (4) That all interests, including organized labor, be represented in the work of the secretariat; (5) That Governments fully consult business interests in the application of any policy designed to organize business policy.

This report, it will be seen, is vague and commits the Preparatory Committee to nothing but generalities and pious aspirations, though its economic advisory staff is said to have suggested a general tariff of 10% for revenue, with rebates to the Dominions.

Could Avoid Decision

In view of Premier MacDonald's known fondness for shelving problems by creating special commissions or committees to investigate them, it is possible he may take a hint from this report and press for a new permanent Empire Secretariat to investigate the economic questions at issue, and thus avoid an awkward decision.

The adoption either of tariffs, for reciprocal and retaliatory bargains, or

Keystone

CANADA'S CABINET

The first photograph of R. B. Bennett's new cabinet. Left to right, seated, Hugh Guthrie (Justice), George Parley (without portfolio), R. B. Bennett (Prime Minister, External Affairs and Finance), Senator Gideon Robertson (Labor), H. H. Stevens (Trade and Commerce). Standing, R. J. Manion (Railways and Canals), E. B. Ryckman (National Revenue), Dr. Murray Maclaren (Pensions and Health), Wesley Gordon (Immigration and Colonization), Hugh Stewart (Public Works), Maurice Dupre (Solicitor General), Arthur Sauve (Postmaster General), T. G. Murphy (Interior and Mines), C. H. Cahan (Secretary of State), Arthur Duranleau (Marine), J. M. Sutherland (Defense).

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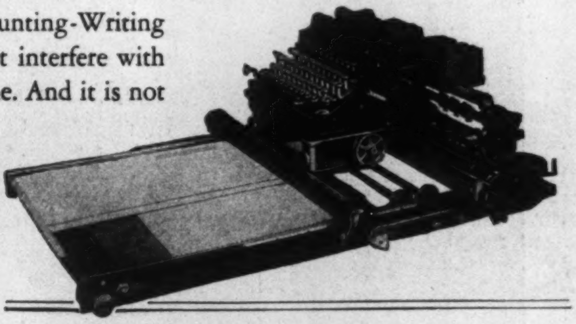

The Elliott-Fisher flat surface accounting - writing machine

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Name______________________________

Address______________________________ of import boards would be tantamount to the opening of a protective war against American imports. While there would be no deliberate enmity involved, it would manifestly be impossible for either the Home Government or the Dominions to create a system of increased preferences without penalizing America. The range of articles already subject to "safeguarding" or McKenna duties would suffer most. Such articles as cars, razors and blades, musical instruments and general luxury commodities would be the hardest hit. But other and larger-scale commodities could not escape some penalization.

Obviously the recent tariff increases in the United States provide a strong incentive in Britain to the creation of tariffs to be used as bargaining factors and they eliminate any sentimental regard which might have modified tariff incidence upon Canada's neighbor and Britain's closest temperamental ally.

Italy Gives 25-50-Year Credit To Soviets on $10 Millions

By Special Cable to The Business Week

ITALIANS and Russians have completed details for the trade agreement first arranged in July, when the Italian government agreed to guarantee export credits up to $10 millions. These credits will run for varying periods from 25 to 50 years.

Russia agrees to buy from Italy, between July 1, 1930 and June 30, 1931, not less than $10,520,000 of products. Payment is to be made within 25 to 50 years. It is widely rumored in Rome that the convention will be renewed each year for larger sums and under similar long term credit arrangements. The Italian government will cover up to 75% of the risks. Business men point out that Italian imports of Soviet crude oil are increasing, and though the agreement is unilateral, Russia really is finding in Italy a profitable market.

Approximate value of first year purchases to be made: ships $2,730,000; machinery, $1,678,000; planes and motors, $1,678,000; bearings, $1,415,000; electrical equipment, $1,415,000; motor vehicles, $1,052,000; optical instruments, $263,000; metals, $263,000; chemical products, $263,000; and fertilizers, $263,000.

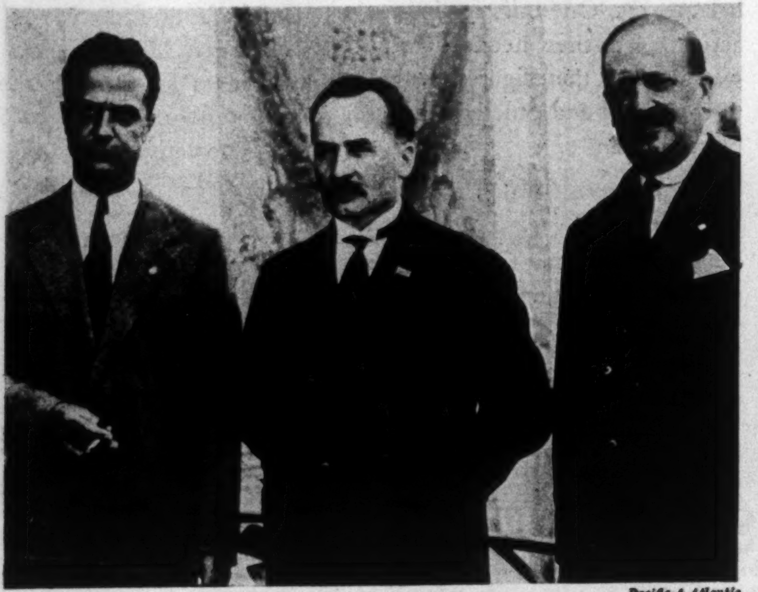
—

So far as is known, Italy is the only country to offer credits for more than 5 years to Russia. Germany recently offered 3-year credits with no cash on delivery, and has won large contracts over other bidders. Under the British export credits plan, British firms also are offering favorable credit terms.

American firms have commonly conceded only 18 or 24 months credit. Credits from International General Electric, which are spread over 5 years, are unusual. However, delivery of the total $25 millions in equipment is also spread out over 5 years, so that the lag between delivery of goods and payment probably does not exceed terms given by other American concerns.

Terms for the new Soviet order for 5 more giant hydroelectric generators for the Dneiper River power plant are not disclosed. Only one of the new generators will be completely built in the United States. The other four will be manufactured jointly here and in Russia. These new generators, rated at 77,500 kilovolt-amperes each, are the largest water-wheel-driven generators of any type ever built. They compare with the 65,000 kilovolt-ampere generators at Niagara Falls.

It is known that at the same time the Schenectady works of the General Electric Co. are constructing the generators, the Pittsfield, Mass. works are building 21 26,000 kilovolt-amperes transformers and the Philadelphia works the switchgear equipment for 6 units.



Pacific & Atlantic

THEY SIGNED THE CREDIT TREATY

Bottai, of Italy (left), Liubinoff, of Russia (center), and Mosconi (right), Italy's Minister of Finance, sign the agreement under which Russia will get a 25-50-year credit on $10 millions of Italian products to be purchased within a year

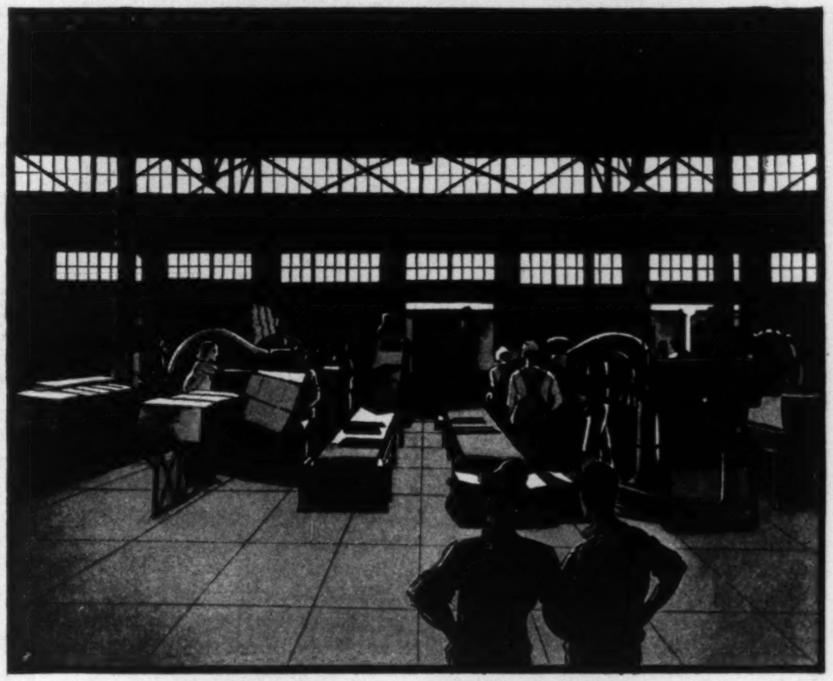
Pacific Coast Sees Orders In Vladivostok Project

THE Pacific Coast is developing more than a second-hand interest in Russian trade. Amtorg has opened a Seattle office. Alex A. Bogdanov, first manager of the office, has been ordered by Moscow to proceed to Vladivostok. Already acquainted with Seattle shippers and West Coast business men, it is thought he can expedite the handling of American business from oriental Russia. Americans are hoping to secure a large share of the $380 millions of business which will result from Russia's industrialization of the Vladivostok area.

Moscow is attacking this project with vigor. To assist the local population in the development of ports, factories, mines, fisheries, and lumber camps, more than 800,000 workers will be transported across Siberia from European Russia.

The American Mail Line, owned by the Dollar Steamship interests, entered recently into a contract with Amtorg

BY ANY YARDSTICK



MATHEWS CONVEYER SYSTEMS

Turning cardboard into shipping boxes is the business of The Kieckefer Container Company, Oakland, Calif. A Mathews Conveyer System aids in keeping production on the move.

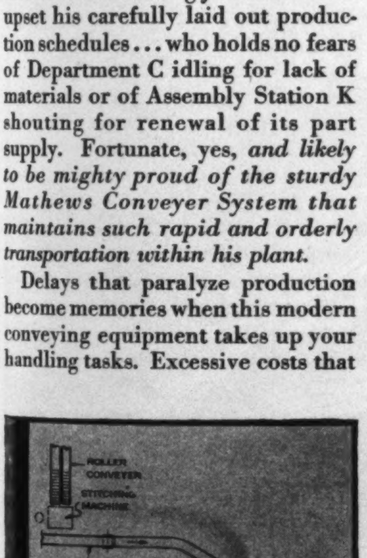
measure up to your highest standards

Fortunate is the executive who knows that handling jams can never upset his carefully laid out production schedules . . . who holds no fears of Department C idling for lack of materials or of Assembly Station K shouting for renewal of its part supply. Fortunate, yes, *and likely to be mighty proud of the sturdy Mathews Conveyer System that maintains such rapid and orderly transportation within his plant.*

Delays that paralyze production become memories when this modern conveying equipment takes up your handling tasks. Excessive costs that may have threatened to spill red ink over the books of your business are trimmed to safe limits. Workers, paced by the twirling rollers, the gliding belts or the swinging hooks of a Mathews Conveyer System, accomplish more within the span of a working day. Goods move on . . . through manufacturing operations to warehouse or shipping platform . . . in rapid, uninterrupted flow.

Just a line of conveyer "from here to there" could never accomplish the results credited to systems bearing the Mathews nameplate. It is engineering skill, employed in design, construction and layout, that has been responsible for the enviable records set. It is experience in selection of proper units, and planning of the route that makes your Mathews Conveyer System precisely as effective in operation as it appears in preliminary blueprints.

Measure conveyers by any yardstick of comparison, and you will find Mathews Conveyer Systems up to your highest standards in every degree. *As an excellent starting point for your check-up,* ask for a copy of the new Mathews catalog. You'll find it mighty interesting.



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Birmingham . . . Boston . . . Buffalo . . . Charlotte . . . Chicago . . . Cleveland Dallas . . . Denver . . . Detroit . . . Los Angeles . . . Milwaukee . . . Minneapolis New Orleans . . . New York . . . Philadelphia . . . Pittsburgh . . . St. Louis . . . San Francisco . . . Seattle . . . Mathews Conveyer Company, Limited, Port Hope, Ontario

whereby goods purchased in the United States for the Soviets will be shipped to Yokohama on American Mail vessels, there to be transferred to Amtorg ships, purchased recently from the United States Shipping Board, and conveyed to Vladivostok. The largest items already being moved by the American Mail Line for Amtorg are cannery machinery and supplies, made necessary by the unusually large run of salmon off the Siberian Coast.

The Manganese Industry Says Russia Is Stealing Its Future

THE American Manganese Producers Association has filed charges that Russian manganese ores are being dumped in this country in order to establish gold credits and to ruin the domestic industry. J. Carson Adkerson, president of the association, has told Secretary Mellon that these Russian ores, "sold here at less than production cost," have driven the price down from 40 cents per unit—the average for 5 years ending Jan. 1, 1929—to 25 cents, "resulting in serious damage and even the wrecking of the growing domestic manganese industry."

Manganese production in the United States is an infant industry; it has had a short but checkered career; it faces serious problems; but that it rates more protection than is provided in the Smoot-Hawley tariff remains debatable.

Before the war domestic production was negligible; world supplies came from Russia and India. During the war most Russian mines closed down; shipping hazards made receipts from other sources uncertain. The steel industry—to which manganese is an essential material—fostered the development of domestic ore deposits long known but hitherto unexploited, increased production of high-grade ore from about 4,000 tons in 1913 to over 300,000 tons in 1918.

The Harriman Venture

Following the war, Russian operations were reopened and in 1925 a group headed by W. A. Harriman obtained a 20-year concession from the U.S.S.R. for the development of manganese deposits at Chiaturi, in the Soviet Republic of Georgia, chief Russian source of supply. It was generally believed that several American steel men were associated with Harriman.

This venture was terminated with mutual recriminations in 1928. Russians asserted that the high-price policy adopted by the Harriman group had fostered development of manganese deposits on the Gold Coast of Africa, in Egypt, in Brazil; that it had given impetus to the American industry, which had slumped decidedly at the close of the war and remained almost dormant until 1922 when a tariff approximating $11 per ton on high-grade ore was imposed. In 1922, American output was about 16,000 tons; it gradually increased until, in 1925, it was 98,000.

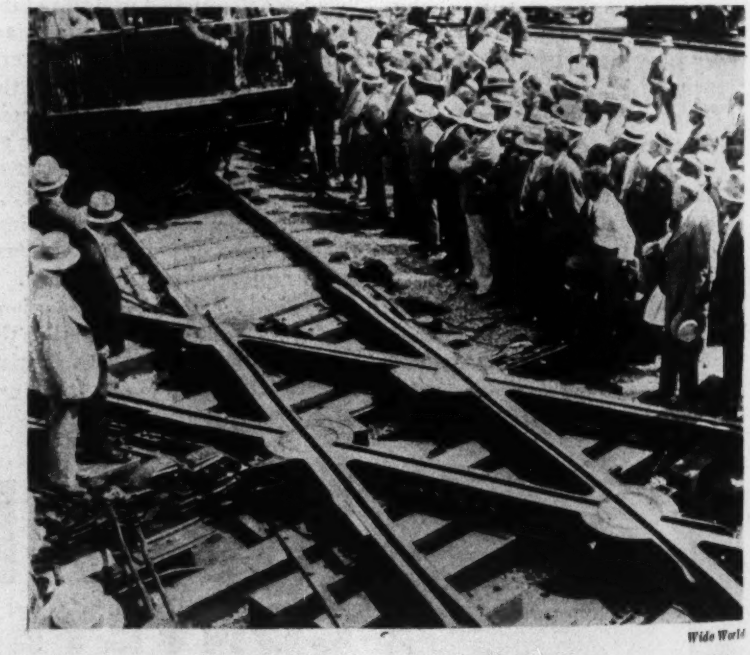
The Harriman group blamed the failure upon high production costs due to heavy royalties and taxes imposed by the Soviet government and to the rapid development of another Russian deposit at Nikopol through the German firm, Rawack & Gruenfeld Co.

The capital invested by the Harriman group amounted to about $3½ millions. It was arranged that this was to remain invested at 7% and to be repaid within 15 years. It was generally believed that repayment was conditioned upon the provision in the United States of a market for a considerable portion of Russian production.

Following dissolution of the concession, the Russian Manganese Export Co. was formed to carry on the work. L. J. Buck, Inc., was appointed American sales agent. Mr. Buck is the son of C. A. Buck, a Bethlehem vice-president who, as representative of the steel industry, presented a brief in January, 1929, against a tariff on manganese ores. Under Russian management, the Chiaturi output has steadily increased; it jumped from 280,000 tons during 1927-1928—the last year of the Harriman concession—to 750,000 tons in the following year. Increased Nikopol production brought Russia's manganese total for the year 1928-1929 to 1,200,000 tons. The ore is of high quality; much of it does not require the beneficiation needed by domestic ores; it is produced at considerably lower costs.

Buyers Must Be Big Ones

There are only 3 or 4 possible markets for metallurgical manganese—the grade required by the steel industry. In steel-making, manganese is used as ferro-manganese; to produce this ma-



Wide World

TAKING THE BANG OUT OF RAIL CROSSINGS

This Union Pacific train has just crossed the Southern Pacific tracks at Southgate, California, without noise and without shock. Discs which turn automatically at the approach of a train provide a "continuous rail," eliminating the noise-producing gap. It is the invention of W. H. Whalen, for many years general superintendent of the Southern Pacific

COST CUTTING FACTS you should know

YPS

"PRESS IT FROM YPS STEEL INSTEAD"

THE YOUNGSTOWN PRESSED STEEL COMPANY

COSTS CAN BE REDUCED

THE YOUNGSTOWN PRESSED STEEL CO.

Another way to cut Handling Costs

STEEL BOXES AND PLATFORMS

The Youngstown Pressed Steel Co.

They save money for industry

.. the MULTIGRAPH saves it for them

Reducing costs for industrial organizations is a specialty of the Youngstown Pressed Steel Company. What YPS does for industry, the Multigraph does for YPS. Says W. G. Armstrong, assistant to the president, "The savings that result from this method have made our Multigraph a most profitable investment.

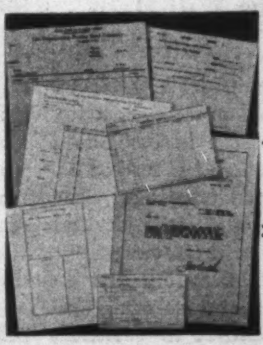
"It costs a great deal less to carry electrotypes and print enclosures, reprints, etc., in small quantities as needed than it does to carry a stock of printed matter, and it reduces possibility of loss through obsolescence."

Savings for YPS have retired their investment in Multigraph equipment in two years. (How often do you find an investment that pays 50% per annum?)

In addition to all of which, as Mr. Armstrong observes, "The Multigraph has been a vital factor in our sales promotion work and has made it possible for us to do many things which otherwise would have been impractical."

Multigraph representatives can give you details.

THE AMERICAN MULTIGRAPH SALES COMPANY
1798 East 40th Street, Cleveland, Ohio
THE MULTIGRAPH SALES COMPANY, LIMITED
137 Wellington St., W., Toronto, Ontario



The Multigraph department of the Youngstown Pressed Steel Company and (at left) some of the office and factory forms which it produces.

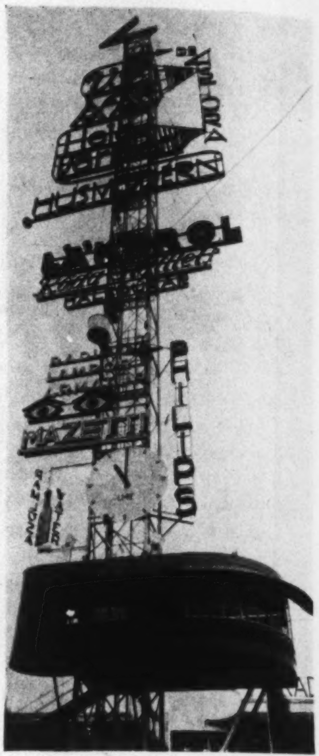
The MULTIGRAPH

terial requires processing that is economical only with large production, so that United States Steel Corp., Bethlehem Steel Corp., and E. J. Lavino & Co. are the only mediums through which the steel industry receives its domestic ferro-manganese. U. S. Steel is believed to have given up its ferromanganese production recently and to be buying from Bethlehem. Bethlehem gets practically all its manganese from Russia, which leaves the Lavino company as the only important market open to domestic producers.

Facts concerning the present status of the domestic industry are disputed. Interests favoring Russian imports claim that domestic manganese is of poor quality, expensive, not available in sufficient quantities to meet demands. Domestic producers maintain that ample quantities are available awaiting a market to foster further development work; that quality after beneficiation is equal to or better than that of imported ores; that the necessity of manganese for steel manufacture makes development of a self-supporting industry a national problem in which steel-makers should be vitally interested.

During 1922 our total imports of high grade manganese ores were 425,000 tons, of which 3,000 or 0.4% came from Russia. In 1929, imports were 664,000 tons; 329,000 or 49.6% from Russia. Data for 1930 based on the first 6 months, indicate total imports of 742,000 tons with 346,000 or 46.7% from Russia.

Domestic production in 1929 was about 60,000 tons. With the recent development of Butte manganese deposits by the Domestic Manganese & Development Co., which supplies exceptionally high-grade ore, potential capacity this year is estimated at 200,000 tons—with the very important proviso, "if there is a market for it."



Bonney

TOWER OF ADVERTISING

The European version of the electric sign is vertical rather than horizontal. At the Stockholm Exposition, several advertisers are grouped on this one mast

Balkan Nations Move Toward Close Economic Union

By Special Cable to The Business Week

A MOVEMENT toward economic consolidation of Europe has begun in the Balkans, hitherto historic source of discord. The Little Entente conference at Sinaia has resulted in a start toward the formation of an economic entente based on preferential trade privileges.

Roumania and Jugoslavia already have reached an agreement and a treaty has been initiated, tantamount to a customs union, which will become effective Sept. 1. It is now proposed to negotiate terms whereby Czechoslovakia will import fixed contingents of Jugo-Roumanian agricultural products and return a contingent of manufactures, under the management of special syndicates which will enjoy preferential duties. Later, it is planned to extend similar arrangements to other neighboring countries. Germany and Italy might possibly be included.

Authorities in Bucharest say the treaty will become effective on a most-favored-nation basis on Sept. 1. This arrangement will be temporary, however, if a wider customs union is consummated among more states in Central and Eastern Europe.

The move remains a development not only of paramount importance to the Balkans but one of the most significant trade developments in Europe since the War. It may mark the beginning of the reintegration of Europe, if not in larger economic units, then in economic alliances. It also marks a breach in the system of most-favored-nation treaties, though affording an enlarged basis of such treaties among future groups of several nations, instead of between two countries.

The surprising rapidity of this development is largely due to the pressure of unsold Balkan 1929 crops. The pending harvest is large. It is reported the accord also relaxes veterinary regulations. Agreements improving railway and navigation conventions will follow. These should expedite Danube river shipping, which has suffered annoying restrictions since the War.

Drought Here Will Help Business in Argentina

BUSINESS in Argentina is likely to show indications of a pickup in the next few months. The drought in the United States should be reflected in marked improvement in conditions there, and much of the depression in agriculture and business may be overcome.

Even at present prices for wheat the Argentine farmer can make a good profit, and any increase in quotations means substantial additions to the profit margin.

The more than 3 million tons of corn still to be exported from Argentina will probably command prices far beyond anything considered possible a few weeks ago. It is estimated that Argentina will have 12 million bushels of linseed available for export between now and December, of which 7 millions have not been sold.

The unusually heavy rains during the autumn (April, May, and June) enabled farmers to prepare land and sow grain under the most favorable conditions, and the recent dry, cold weather has checked plant growth so that sowings are protected against late frost. Better than average yields of wheat, linseed, and small grains are expected.

In the meantime, June foreign trade figures show a gloomy drop in business with the United States. American exports to Argentina totaled only $12,066,000 compared with $20,500,000 a year ago, which is a decline of more than 41%. Purchases from Argentina amounted to only $4,109,000, 50% below last June's total of $8,342,000.

Swift Survey of Business Abroad

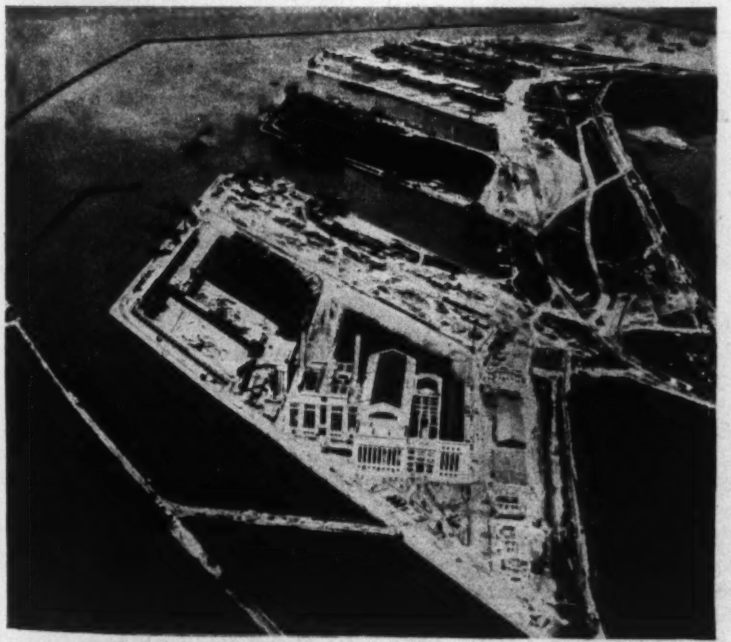
EUROPE

By Special Cable to The Business Week

THE financial activity which was expected to follow the issue of Young bonds and provide a much needed stimulus to business has completely failed to develop. Business conditions since their issue have gone from bad to worse. Nothing in the current situation suggests early improvement and it is improbable that the usual autumn activity following the harvests will bring more than superficial relief. Anxiety is beginning to be expressed for the winter. Unemployment, which clung at unprecedented levels throughout the summer, is already beginning to show an exceptionally early seasonal increase, foreshadowing winter totals which will exceed even last year's records. The British Electrical and Allied Manufacturers Association has given the first considered expression to the belief that no fundamental upturn is probable before 1932.

On the other hand, any recovery in world raw material and agricultural prices at this juncture of affairs would act as an appreciable tonic, possibly breaking the vicious depression circle. If, however, the process of adjustment proves one of stabilization downwards to present low primary values, the long drawn out depression may again strain economic fiscal currency stability in many European countries. Momentary conditions are without directional trends. Business continues featureless.

The European press is dubious that the Jugo-Roumanian treaty will become effective September 1, since it is generally held that it violates outstanding most-favored-nation treaties. The uneasiness of Hungary following the announcement of the treaty revives the consideration of an Austro-Hungarian union with possible extension to include Germany. To Hungary this would be preferable to joining with the Jugoslavs and Roumanians. The first reaction from Austria is to speed up local dormant legislation envisaging a grain flour monopoly within the country. Reactions from Poland will be known following the Polish-Roumanian agricultural conference to be held at Warsaw on August 25. It is unlikely that Poland organically will join any combination. A general Eastern European agricultural conference will be held at Warsaw in September and will clarify the whole question.



General Electric

WATERFRONT AT BUENOS AIRES

An air view of Argentina's new port developments. In the foreground, the recently completed central generating station of "Chade" (Cia. Hispano-America de Electricidad), chief source of electric energy for Buenos Aires and Suburbs. Port warehouses are in the background. Planes of the New York, Rio and Buenos Aires line use a basin near the Chade property as their terminal, a 5-minute taxi ride from the city

By Special Cable to The Business Week

Great Britain—The prevailing depression was accentuated by the holiday this week and more seriously by the general blow to public confidence by the rise in unemployment to more than 2 millions. Coal output was further reduced, and there is poor demand with resulting weak prices. The iron and steel industries are stagnant; hides, leather, jute, and some other commodities are wholly inactive. Cotton continued to move on a small scale with restricted production. In wool, there was slight improvement during the week. The protracted drought has reflected in the week's sharp rise in wheat prices. Stock markets are dead except for small movements in mining stocks.

There is no prospect for any large new issues on the stock market for August, but several large industrial flotations are anticipated in early autumn. The general feeling is pessimistic, but there is a persistent undercurrent of anticipation of a trade revival for September.

During the early months of the year unemployment was not expected to pass the 2 million mark until Christmas. When this number was passed last week, authorities estimated that by Christmas unemployment would pass 2½ millions. It is commonly realized now that extreme unemployment is due to world conditions and that more than local palliatives are necessary. Two fundamentally important industrial developments, each designed to promote efficiency, show the effect of unemployment is working in opposite directions. At the annual conference of the Miners' Federation, application of the spread of hours in the coal industry was discussed, while at private meetings of Lancashire cotton interests, the expediency of adopting the labor-saving 8-loom system was argued.

By Special Cable to The Business Week

France — There is no significant change in conditions. The price situation is still a disturbing factor. Business is slow but not yet serious. The predominant development is the continuance of strikes among workmen who are protesting labor's contribution to the social insurance premiums without compensating wage increases. The strikers now total 140,000, notwithstanding numerous settlements at individual plants. Indicative of the small portion of labor taking part in the strike is the fact that total workers registered on the social insurance rolls is 8 millions. Strikers, therefore, represent less than 2% of total registered workers, and are spread over 50 localities. With living costs mounting steadily, conditions are believed to harbor later major wage movements unless the government acts soon to check increases. Foodstuffs in particular are increasingly expensive due to the recent tariff which brought increases on cereals and meats. The prospect of short crops this year is a new source of worry.

The July retail index figure was up 8, to 601; the wholesale index was up 5 to 549. In this last classification, animal foodstuffs are up 16 points, and vegetable foodstuffs 49. Industrial products dropped 11 points.

By Special Cable to
The Business Week

Italy—Industry is stationary, but the general business situation is decidedly not worse. Securities, especially of electrical companies, are higher. The earthquake will not affect business except by adding another burden. It has not yet been announced whence the government's appropriation of $5 millions for sufferers will come.

To meet winter unemployment, the government has arranged for the building of postoffices and houses for employees to cost more than $5 millions. Large scale public works will also be started. The program will begin in September. Nearly 37,000 laborers will be employed from the first. Plans for land reclamation employing 80,000 laborers are soon to be published.

Final agreement with Russia for special trade arrangements calls for purchase by the Soviets of more than $10 millions of Italian products before June 30, 1931. Credits granted by the Italians will run from 25 to 50 years.

By Special Cable to
The Business Week

Germany—Though the country is enjoying a short political respite before the election campaign actually starts, business continues its unabated and rather accelerated downward movement. People look with dismay at the unemployment figure which has almost reached 3 millions. The stock market and the coal market are at lowest ebb.

Activities on the stock exchange seem fully paralyzed, with practically no demand from the public and no intervention from banks, but with increased sales on foreign account allegedly as a result of the uncertain political situation. After the stock index, which in the middle of July fell for the first time below par, it declined further last week from 98.6 to 95.3. Apart from the present cyclical depression, stagnation on the German stock exchanges is due to the mistrust and disappointment of shareholders caused by the policy of a number of leading concerns in overdoing the accumulation of hidden reserves at the expense of the distribution of dividends. Though, since October, the bank rate has been almost halved from 7.5% to 4%, and the private discount rate to 3¼%, long term rates have declined only 1% to 1½% since October. The discrepancy of short term and long term rates is due both to inelastic public borrowing and to retarded formation of new capital. As an example, January-June increase in savings deposits is only $134 millions compared with $199 millions last year.

In the Ruhr, output and sales of coal have reached the lowest levels since 1893. July sales per working day dropped 12% compared with June, and were 25% below last year. Stocks at the pithead increased in July from 6,100,000 tons to 6,700,000. This contrasts with 1,700,000 tons at the end of December, 1929. Though the Ruhr syndicate lately was forced to make considerable price concessions in the so-called disputed areas to meet foreign and domestic competition from other coal districts, maintenance of present high prices almost without change since the beginning of the depression in the undisputed area is rightly considered a severe handicap to local manufacturing industries and the main hindrance to a general price reduction. The mine owners declare that a price reduction is impossible without a corresponding wage cut, but they hesitate to denounce existing wage agreements.

One important factor aggravating depression is the inadequate functioning of the export valve which until recently had secured outlets for German manufacturers. This was vital at a time when home demand was seriously curtailed. The significance of the drop in manufactured exports in June has probably continued in July and August. Evidence of the importance of exports to manufacturers is contained in the report of the German Machine Builders Association which was published this week. According to this report, exports in 1929 were 34% of total production, compared with 1928 exports which approximated 29% on total production.

The National Manufacturers Association has raised a strong protest against the government's plan to denounce the German-Finnish commercial treaty in view of the failure to reach an agreement for the revision of the German butter and cheese import duties. Further protest was made regarding the recent practice of supplementing commercial treaties by parallel agreements with private interests. Such agreements virtually paralyze treaty rights of third countries which enjoy most-favored-nation treatment. In several cases this has provoked a boycott of German manufactured goods abroad.

By Special Cable to
The Business Week

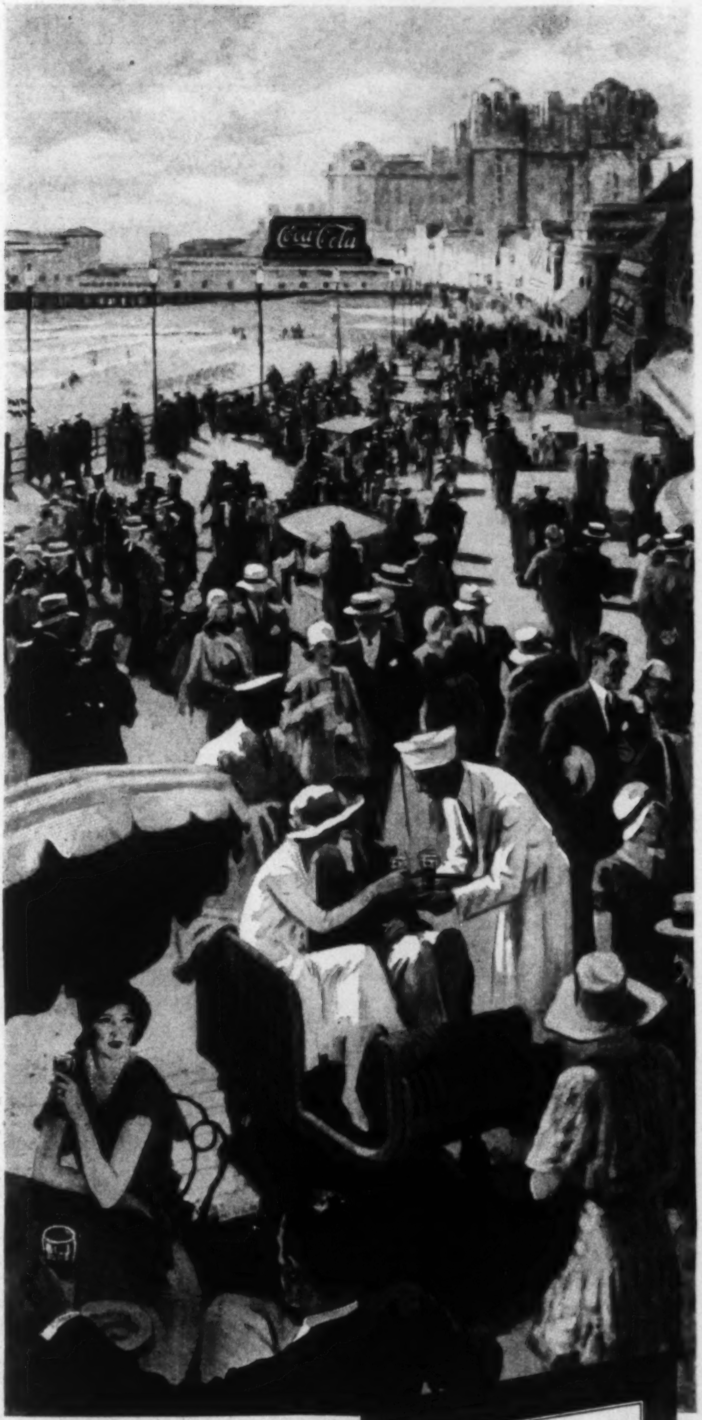
Belgium — Depression has become acute. The metallurgical industry is working at only 60% of capacity. Coal demand is still weak. Textile stocks are increasing. Mills are working half time with unemployment varying from 18% to 45%, according to regions. The window and plate glass industry is still restricted to 30% of capacity. Automobile sales are fair but the local industry is weak. Minerva has been shut down since August 4. Carloadings are 15% below the average for the first half of 1929. Money is plentiful notwithstanding the reduced discount rate. Call money at 1.6% is below rates elsewhere. New stock issues during the first 6 months totaled $80 millions, which was barely one-third of the total for the same period in 1929.

LATIN AMERICA

Business took a slightly more optimistic turn this week. Bankers have come to the aid of Cuban sugar interests. Brazilian newspapers report definite negotiations are under way for two large railroad projects and a funding loan from Rothschilds in London. North American interests, including the Munson steamship line, are said to be interested in the Sao Paulo-Santos railroad project. Also, at Sao Paulo, General Motors this week opened a new assembly plant to turn out about 300 automobiles daily.

Exports continue to lag, but crop conditions in Europe and the United States are favorable to a rise in grain prices with resulting benefits to South American sales and buying power.

Of course THE BOARDWALK is trimmed with soda fountains for *the pause that refreshes*



An artist interprets Atlantic City's Boardwalk. Sea air, sunshine and a refreshing pause for ice-cold Coca-Cola keep everybody in a holiday mood.

THE PICTURE shows that this famous playground is a place to walk. Everybody walks. Because you never need walk longer nor farther than you like. All along the way a thousand diversions invite you to pause and be amused. And, of course, such a place is trimmed with soda fountains and refreshment stands where ice-cold Coca-Cola offers *the pause that refreshes* ↑ ↑ ↑ Happily, Coca-Cola signals this same pause clear across the country. Its quick, wholesome refreshment helps you to make play while the sun shines—to keep going places and doing things.

THE BEST SERVED DRINK IN THE WORLD

A pure drink of natural flavors served ice-cold in its own glass and in its own bottle: The crystal-thin Coca-Cola glass that represents the best in soda fountain service. The distinctive Coca-Cola bottle you can always identify; it is sterilized, filled and sealed air-tight without the touch of human hands, insuring purity and wholesomeness. The Coca-Cola Company, Atlanta, Ga.

LISTEN IN—Grantland Rice—Famous Sports Champions—Coca-Cola Orchestra—Wed. 10:30 to 11 p. m.—Eastern Daylight Saving Time—Coast to Coast NBC Network—

9

MILLION A DAY

Drink

Coca-Cola

Delicious and Refreshing

It had to be good to get where it is

What the Figures Show

	Latest Week	*Preceding Week*	*Year Ago*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*87.4	†86.5	113.7
Production			
Steel Mill Operation (% capacity)	56	58	93
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$13,933	†$14,101	$22,599
Bituminous Coal (daily average, 1,000 tons)	*1,326	1,347	†1,558
Petroleum (daily average, 1,000 bbls.)	2,480	2,515	2,896
Total Electric Power (millions K. W. H.)	*1,840	1,810	1,870
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	153	153	184
Check Payments (outside N. Y. City, millions)	$5,311	$4,591	$6,574
Money in Circulation (daily average, millions)	$4,465	$4,432	$4,769
Wheat Receipts (1,000 bushels)	29,856	32,358	37,382
Cotton Receipts (1,000 bales)	70	20	76
Cattle Receipts (1,000 head)	*148	†126	153
Hog Receipts (1,000 head)	*395	†398	459
Wool Receipts (1,000 lbs.)	30,078	18,345	9,164
***Prices** (**Average for the Week**)*			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ .80	$ .78	$1.21
Cotton (middling, New York, lb.)	$ .129	$ .127	$ .185
Iron and Steel (composite, ton)	$33.00	$33.08	$36.52
Copper (electrolytic, lb.)	$ .107	$ .108	$ .178
All Commodities (Fisher's Index, 1926-100)	83.1	82.9	97.6
Finance			
Total Loans and Discounts, Federal Reserve reporting member banks (millions)	$16,906	$16,945	$17,044
Commercial Loans, Federal Reserve reporting member banks (millions)	$8,472	$8,529	$9,329
Brokers' Loans, New York Federal Reserve member banks (millions)	$3,155	$3,214	$5,952
Federal Reserve System Ratio	82.0	83.1	74.6
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	10,013	10,401	20,151
Stock Prices (N. Y. Times, average 50 stocks)	$197.03	$200.79	$280.41
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$41,228	$38,797	$60,485
Bond Prices (Dow, Jones, average 40 bonds)	$96.27	$95.98	$92.68
Interest Rates—Call Loans (daily average)	2.2%	2.0%	9.6%
Interest Rates—Time Loans (daily average)	2½-2¾%	2½-2¾%	8¾-9%
Business Failures (Dun, number)	452	468	435

*Preliminary †Revised

As the retarding influence of hot weather and general summer inactivity gives way to autumn with its usual seasonal resumption of trade, our statistical indicators should begin to confirm the optimism which has prevailed in many quarters for some time. The next 6 or 8 weeks should bring renewed purchases of basic commodities to replenish stocks that have been exceptionally low as a result of cautious buying. As yet, the evidence is conflicting. Commodity prices have been weakening, production lagging; but trade indicators, such as bank debits and carloadings, have tended to raise our index of business activity from the low of last week.

This rise to 87.4% of normal for the week ending August 9, compared with 86.5% the preceding week and 113.7% a year ago, comes after a month of steadily declining activity, particularly in the production field.

Electrical Energy Used

The activity of manufacturing industries during July was influenced both by the fact that July is usually the dull month of the year and by cyclical factors. As measured by the *Electrical World* on the basis of consumption of electrical energy, it shows a decline of 9% from June and 18.5% from a year ago. Automobile, textile, building material and metal industries suffered the greatest declines compared with both last month and July, 1929. But, with the reopening of automobile and textile plants after extended vacations and shutdowns, these unfavorable comparisons with preceding months and years should become less marked and some increase should become apparent. Shipbuilding registered the greatest increase over last year and continued encouragement by the government is expected to maintain activity for the next 5 years.

Production and Trade Indexes

Our group of production indexes confirms the depths to which production has fallen by reaching a new low of 81.7% of normal for the first week in August. But the trade index, which has remained above the level of production for the greater part of this year, turned upwards to 92.1% of normal compared with 89.8% the preceding week, due principally to the increased volume of checks drawn and to the gain in railroad shipments of commodities of the miscellaneous and less-than-carload-lot groups. It is likely that trade will gain additional stimulus as cooler weather begins and that fall orders will bring rising indexes of productive activity.

Activity in the steel industry has fallen slightly compared with last week, even though unfilled orders on hand at the end of July showed some increase over June. The trade attributes this increase to the low rate of activity of the past few weeks rather than to any increase in new orders. Though automobile production has not resulted in any large orders as yet, the mid-western centers are being encouraged by small specifications from motor centers. Public improvement projects in large cities and farm implement requirements of foreign buyers will also help to maintain orders until general activity gets under way. Our adjusted steel index fell to 81.2% of normal compared with 84.1% the preceding week.

The daily average of building construction, based on the past 4 weeks, continued its downward trend as the data on contracts awarded for the first part of August revealed a rate below that of July. Our adjusted index averaged with the past 4 weeks fell to 72.7% of normal compared with 73% the preceding week.

Bituminous coal production continues to fluctuate from week to week, following closely the trend of the past 3 years at a somewhat lower level. Our adjusted index for coal production, which is the lowest of any of the series in our composite index of general activity, stands at 67.1% of normal against 68.8% the preceding week. The latest report of the U. S. Bureau of Mines indicates that the stocks of bituminous coal in the hands of commercial consumers on July 1, 1930 were the lowest since September, 1922, when mine suspension retarded production. Production to date this year compares most favorably with 1928 since it is but 3% behind, while 1927 and 1926 show much higher production totals.

The sharp upturn in electric power production brought the total kilowatt hours to within 1.6% of a year ago and back to the level of May. The adjustment for seasonal and long-time trend caused a slight decline in our index, though still approximately normal.

Trade Indicators

On the whole, the trade indicators for the past week were favorable. While total carloadings were somewhat lower due chiefly to decreased shipments of coal, livestock and grain products, the two groups used in our index as most representative of trade activity—the miscellaneous merchandise and less-than-carload consignments—showed a gratifying increase over last week though they remain nearly 15% below the same week of 1929 and 12.5% below 1928. Our index, adjusted for days, seasonal variations and trend, increased to 84.6% of normal compared with 83.5% the last week of July.

Total checks drawn in the 140 cities outside of New York rose nearly 16% over the preceding week, reflecting undoubtedly the first-of-the-month bill settlements and wage payments. The adjusted index based on the average of two weeks rose to 94% of normal against 89.6% the week before. Omitting 10 of the large cities whose stock transactions influence the total checks drawn, an even greater increase is shown over the preceding week and a more favorable comparison with a year ago.

Money in Circulation

Increased activity is also reflected in the figures of the amount of money in circulation which have been touching new lows during July but which should show improvement as employment increases and more favorable weather stimulates fall buying. Our adjusted index rose from 98% of normal to 98.7%. The extremely high temperatures of July, the rapidly falling level of prices and the usual midsummer dullness helped to pull department store sales 9% below a year ago. The decline from June, however, was less in any of the past 10 years. Stocks on hand in department stores are on the whole below a year ago, so that even a slight stimulus of fall buying should be reflected in wholesale trade—and in some centers is already apparent.

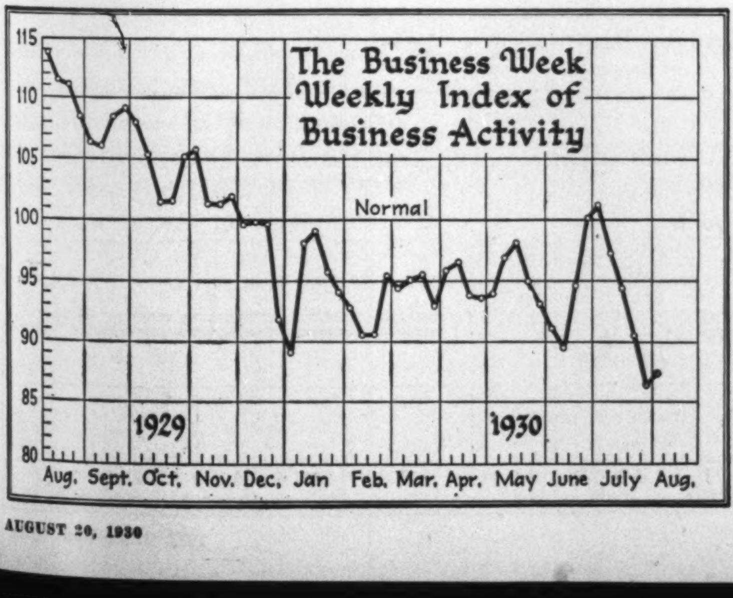
The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.

Prices appear to show conflicting trends. The indexes of wholesale commodities of both Fisher and the National Fertilizer Association increased slightly for the first week in August after a continuous decline since the summer peak of 1929, but our index of a number of major commodities for the second week in August revealed a slight recession as a result of declines in wheat, cotton, rubber, hides and metals. The first sensational reports from agricultural areas as to drought damages resulted in rapid increases in farm prices. Later reports have tended to minimize the total damage. The effect has been a reversal of price trends with some commodities reaching new lows.

Copper statistics for July were favorable to price stabilization or price increases. Though refined copper stocks on August 1 showed a slight increase, blister copper declined compared with both July 1 and June 1, while total stocks above ground showed declines compared with both the preceding 2 months. Production in July continued to decline, while shipments increased. Foreign buying is expected in the next few weeks.

The decline in loans and discounts of reporting member banks was due to a slight decline in the total of commercial loans. Loans on securities and investments in securities other than U. S. government securities rose for the week. Total loans and investments of reporting member banks still run more than 2.5% above a year ago. Bond prices reached the highest average since December, 1928, but bond sales on the New York Stock Exchange, excluding governments, recently have been declining, the first quarter showing an increase of 19% over 1929, the first half an increase of 13% and the year through August 9 an increase of but 1%.

Business failures fell again as is customary during the summer months. August is usually the low month of the year for failures.



Money and the Market

THE stock market revised its opinion of business conditions this week and stock prices moved out of the three weeks' uncertainty zone—downward. Drought hysteria and prospects of resulting business retardation were primarily responsible for the decline. Stocks of corporations selling to agricultural areas were hardest hit by selling and, though losing no more ground than the general list, led the downward movement.

Declining steel operations, weakness in some prices, unfavorable foreign reports, monetary uncertainty and a growing list of dividend omissions and reductions added downside pressure. The inevitable bears attacked the market at all possible vulnerable points. Short interest is unusually large at the present time.

Support was encountered at higher levels than those reached in June or November, but it remains to be seen if this is strong enough to hold. Business is at a critical point and the market is following its developments closely and reflecting them promptly in sales.

Wait and Watch

A sideline position on the market is being advised for the cautious. Realization that the drought thus far has been overemphasized, coupled with the large potential buying power of the shorts, puts the odds in favor of better prices. But the critical state of business defies prediction. Even slight unfavorable developments may serve to turn judgment definitely unfavorable and further depress prices. But brokers seem to be able to find quite a few stocks that they can recommend for holding over a period of months.

The number of unfavorable dividend actions this year has acted as a depressant. Standard Statistics shows that 172 industrial corporations reduced dividends during the first 7 months this year compared with 44 during the same period of 1929. And 309 have omitted payments, as against 109 last year. The total is 481 unfavorable actions this year to 153 last. The total of increased or resumed dividends, on the other hand, has been but about half of what it was in the first 7 months of 1929.

Holdings on Margin

Margin holdings of stocks continue to be of reduced importance. During July the ratio of loans to brokers and dealers to total value of listed stocks declined 0.34% to 5.49%, the New York Stock Exchange reported this week. This is the lowest figure reached since records were started. It resulted from an increase of $3,329 millions in value of listed stocks and a decline of $38,228,000 in loans during the month.

However, this ratio must be considered in company with other factors. One reason why it is unusually low is that more borrowers on securities are obtaining their funds directly from the banks instead of through brokers. Another point to be noted is that much of the loan total went for marginally held bonds.

The weekly Federal Reserve report on brokers' loans showed a decline of $59 millions this week to a total of $3,155 millions—lower than thus far reached this year. New York banks entirely accounted for the decline, but still accounted for more than half of these loans.

Money was very little changed this week, only call money rates, the most sensitive, showing slight firmness. The charge was 2½% for most of the week.

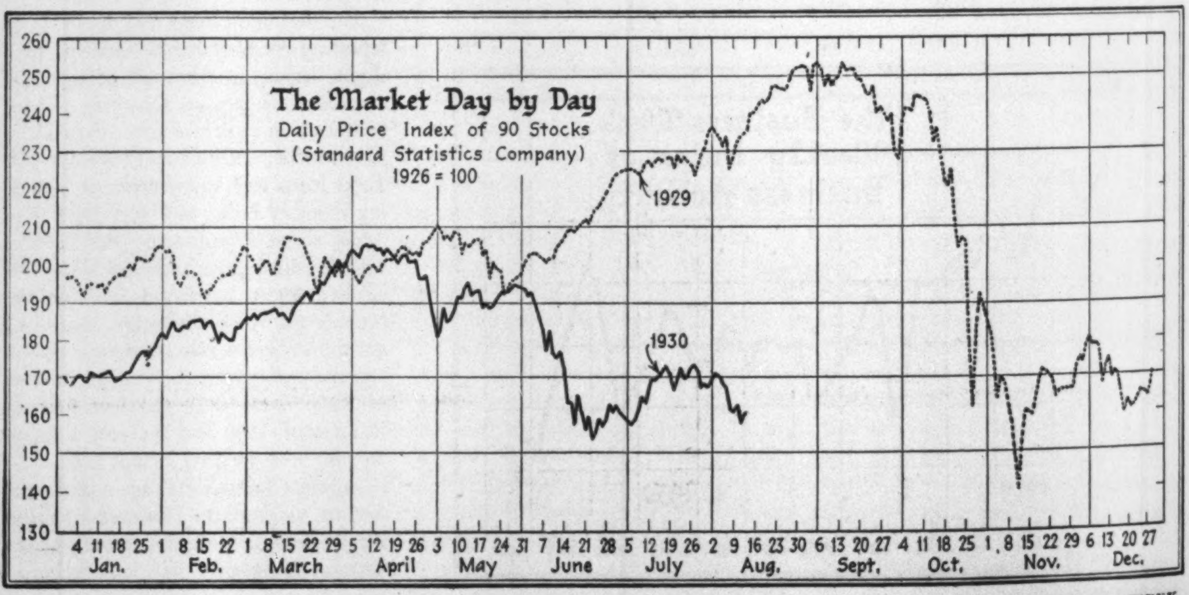
The Federal Reserve system finally took long-needed action this week by buying both bills and government securities. The total of Reserve credit outstanding rose to the levels of mid-July, even though member bank discounts with the system declined by $15 millions. Bill holdings rose $21 millions and government security holdings by $30 millions.

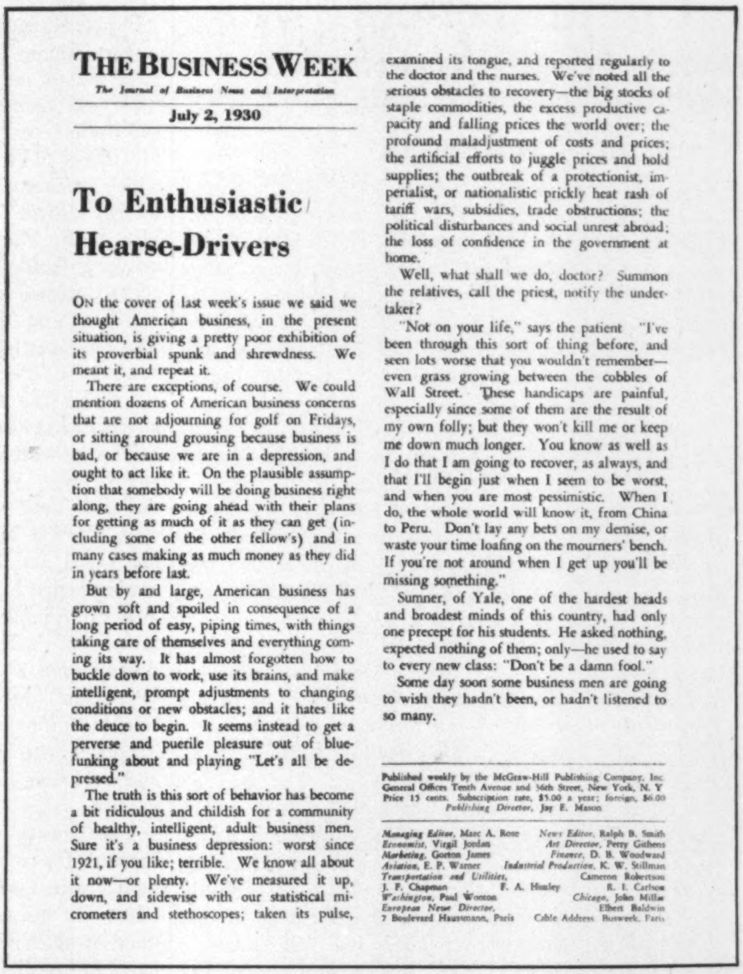
A rise in Federal Reserve credit beginning now and continuing with slight fluctuations until Christmas accords with accepted Reserve practice.

Bond Market Revives

Federal Reserve action appears to have bolstered the bond market at a crucial time. Last week, investments of member banks declined sharply for the first time in several weeks. The selling sent bond prices downward, also for the first time in several weeks. But the first of this week they rose again and to a new high for the year. Reserve credit unquestionably helped this development.

Commercial loans of member banks declined this week offsetting most of the encouraging increase of last week. Security loans showed a slight increase.





THE BUSINESS WEEK
The Journal of Business News and Interpretation

July 2, 1930

To Enthusiastic Hearse-Drivers

On the cover of last week's issue we said we thought American business, in the present situation, is giving a pretty poor exhibition of its proverbial spunk and shrewdness. We meant it, and repeat it.

There are exceptions, of course. We could mention dozens of American business concerns that are not adjourning for golf on Fridays, or sitting around grousing because business is bad, or because we are in a depression, and ought to act like it. On the plausible assumption that somebody will be doing business right along, they are going ahead with their plans for getting as much of it as they can get (including some of the other fellow's) and in many cases making as much money as they did in years before last.

But by and large, American business has grown soft and spoiled in consequence of a long period of easy, piping times, with things taking care of themselves and everything coming its way. It has almost forgotten how to buckle down to work, use its brains, and make intelligent, prompt adjustments to changing conditions or new obstacles; and it hates like the deuce to begin. It seems instead to get a perverse and puerile pleasure out of blue-funking about and playing "Let's all be depressed."

The truth is this sort of behavior has become a bit ridiculous and childish for a community of healthy, intelligent, adult business men. Sure it's a business depression: worst since 1921, if you like; terrible. We know all about it now—or plenty. We've measured it up, down, and sidewise with our statistical micrometers and stethoscopes; taken its pulse, examined its tongue, and reported regularly to the doctor and the nurses. We've noted all the serious obstacles to recovery—the big stocks of staple commodities, the excess productive capacity and falling prices the world over; the profound maladjustment of costs and prices; the artificial efforts to juggle prices and hold supplies; the outbreak of a protectionist, imperialist, or nationalistic prickly heat rash of tariff wars, subsidies, trade obstructions; the political disturbances and social unrest abroad; the loss of confidence in the government at home.

Well, what shall we do, doctor? Summon the relatives, call the priest, notify the undertaker?

"Not on your life," says the patient "I've been through this sort of thing before, and seen lots worse that you wouldn't remember—even grass growing between the cobbles of Wall Street. These handicaps are painful, especially since some of them are the result of my own folly; but they won't kill me or keep me down much longer. You know as well as I do that I am going to recover, as always, and that I'll begin just when I seem to be worst, and when you are most pessimistic. When I do, the whole world will know it, from China to Peru. Don't lay any bets on my demise, or waste your time loafing on the mourners' bench. If you're not around when I get up you'll be missing something."

Sumner, of Yale, one of the hardest heads and broadest minds of this country, had only one precept for his students. He asked nothing, expected nothing of them; only—he used to say to every new class: "Don't be a damn fool."

Some day soon some business men are going to wish they hadn't been, or hadn't listened to so many.

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On July 2nd this editorial appeared in *THE BUSINESS WEEK*. Business took it up; business men repeated it. Newspapers—hundreds of them—quoted it; some took full page space to display its opinion. Business papers and magazines joined the refrain. Corporations sent it to officers, reprinted and broadcast it to customers and employees. This editorial met with exceptional response. It has been called the most-quoted editorial of the year. Yet, for *THE BUSINESS WEEK*, it is not an exceptional editorial. Opinion always has been and always will be an important part of its publishing philosophy. To print the record of business is not enough. *THE BUSINESS WEEK* is *of* as well as *about* business. Every week it has something to say about business, and it does not hesitate to say it. First to say "The worst is over", it is believed because it early warned "The worst is yet to come." Sincerity is but one of the reasons for its enthusiastic acceptance by the foremost business executives of the country.

THE
BUSINESS
WEEK

The Dublin Letters

To Mr. George Clark, Acknowledging Phil Bailey's Expense Account With Remarks

Pinehurst
February, 1928

Dear George:

Phil Bailey's expense acc't received with thanks. It is very interesting on the score of item 5 charged to entertainment for Doctor Bucephalus Emmett. So the waves of life have thrown him up on our beach again. Well, well, well—and a snort of curiosity.

I see from Phil's expense documents the Doc hasn't changed much. Plenty of Ritz-y chow and then a gal show and a supper club for a chaser. The Doc was always a great hand for the "Follies" and other heifer-dromes where the gals wear nothing but a swatch of chiffon and a can of talc. I note Phil has already fed him $211.00 worth of food and flesh. That's enough.

I know my Emmetts. I knew that old bird a dozen years back—a quick acquaintance and a quick parting. We don't want his account in the agency and wouldn't take it any more than we'd page a dose of hives. Tell Phil he can't spend another penny of the Dublin money on His Doclets and tell him I said so. Or shall I write and tell him?

Where did Phil ever run into Emmett? I know that Phil fishes in many waters for new business, but I never thought he would drag this ancient pickerel to the surface again. Well, he can throw him back. I thought he was dead. Maybe it's true what the papers say; people live longer these days.

Mitch Cass checked in last week. Talked about his business till midnight last night. Wants to give me his account, but sort of intimates that Busby —he's the new president—won't let him. This is the fifth consecutive season Mitch has promised me the account. We'll never get it.

Mitch looks old and depressed and has taken to drinking corn whiskey. Keeps three or four jugs of it in his room. I just as soon drink cannon-crackers. He's having some kind of trouble with his wife. The pair of them have worn each other out, I guess. Seems anxious to confide and I sidle off. An American portrait of the pathos of success. Mitch is probably worth a million. Small money in this year of our Lord, but Mitch doesn't seem to know how to enjoy even that much. Best regards,

JIM.

To Mr. George Clark on the Subject of Doctor Bucephalus Emmett

Pinehurst
February, 1928

Dear George:

Acknowledging your letter of the 16th, amplifying Phil Bailey's *entente* with Doc Emmett. I take this Emmett story of Phil's with a bag of salt and a discoloration of suspicion.

Doctor Bucephalus Emmett has a history. Perhaps you better get a little of it.

Many years ago when you were sucking a pacifier Doc's father established a patent medicine business. The main product was a bottle of something called "Pepticum." It was a jazzer for down-at-the-mouth people who led drab lives and felt bad about it and craved a shot of tonic to make 'em sparkle. The wrapper was a work of genius. It was faded buff with a picture on it of a faithful old doctor in a buggy driving down the road to succor the weak and weary, and by the time the original old Doctor Emmett died, the reliable "Pepticum" wrapper had become quite a familiar item in the Southern and Southwestern homes.

Then the son—Doc Bucephalus—took over the "Pepticum" works, socked more advertising into the business, and at the prime age of 40 found himself with more dough than the original pater-faker thought there was in the whole U. S. A.

"Pepticum" is just pink alcohol with a faint trail of herb dragged through it for therapeutic atmosphere. This is a matter of record. The formula was revealed for public reference when Samuel Hopkins Adams muck-raked the proprietary preparations trade.

Furthermore Doc Emmett himself admitted to me that "Pepticum" was nude of curative properties of any description and was built entirely to give the well-known and transient tone which *spiritus frumenti* donates to the human system. We spent a whole evening at the Vanderbilt dining lavishly, drinking Cordon Rouge, smoking Corona Coronas and discussing "Pepticum"—all on the "Pepticum" profits. The Doc was trying to persuade me to handle the "Pepticum" account.

I told him I wouldn't have his snide hooch package in the Dublin Agency at any price—even double commissions and a bonus. He laughed and pounded the table until the demi-tasses slopped over. He's a big, apple-cheeked, jolly old rascal, and he laughs a very disarming genial bass. The haw-haw alone makes him impervious to the slings and arrows of outrageous criticism. He doesn't give a damn. He claims that "Pepticum" does no harm and brings brightness into millions of dreary lives. "Pepticum the Brightener" is his slogan and he hangs to it like a man with a mission.

The Creator made Doc Bucephalus Emmett for a pat. med. peddler and he has been faithful to his Heaven-sent talent. In his calling he has displayed quite as much virtuosity as Sarah Bernhardt in her divinest days.

The Doc has imagination. He knows the power of imagination exerted upon other imaginations. "Pepticum" has demonstrated that. He seeks men who possess imagination. And here, it's my guess, we have a clue.

On his imaginative side Doc. Emmett is a thwarted man. He has been trying for 15 years to get "Pepticum" handled by one of the upper crust agencies. I don't believe there's a thing in the world he craves so much as the insignia of respectability for "Pepticum" which the auspices of an A-1 agency could give him. But he has never been able to get it.

We are all climbers. The Doc doesn't give a twitter for social position. He prefers rough and ready company of both sexes. But he's a *business climber*. He longs to see "Pepticum" admitted to the commercial élite of the nation; he dreams of waking up some day and seeing "Pepticum" with that school girl complexion. He hankers for the esteem which is Packard's and the prestiges of the New York Central Railroad.

So long,

J. W. D.

Wide Reading

THE RAILROADS GIRD FOR BATTLE. J. G. Lyne. *American Mercury.* August. New pugnacity and new profits. Special developments which public demand may make common.

FIGHTING THE TRADE SLUMP IN ENGLAND. Thomas Russell. *Printers' Ink,* July 31. Valuable cooperation from the government and from the Bank of England.

GENERAL MOTORS IN THE FAR EAST. George B. Rea. *Far Eastern Review* (Shanghai), June. Osaka becomes the Detroit of Japan. Expansion in China.

PLOTTING THE FRENCH MARKET. Amos Stote. *Advertising & Selling,* August 6. Interpretation of a new advertising survey of the French market.

WHAT MAKES A $20,000-A-YEAR MAN? E. L. Chase. *System,* August. A check list for top executives, and for others who aspire to that position.

BUSINESS ON THE PACIFIC COAST. Paul Shoup. *Review of Reviews,* August. Slow, but better prospects ahead.

TALL CORN HAS UNSUNG RIVALS IN IOWA. John M. Henry. *Nation's Business,* August. Iowa factories export to 58 foreign countries. The industrial side of an agricultural state.

PACKAGED MEATS ON TRIAL. J. W. George. *Advertising & Selling,* August 6. Early results are promising and interesting.

THE LATIN AMERICAN PRESS AS A "BUY" FOR 1931. A. M. Martinez. *Export Advertiser,* August. Tips for the newcomer who is buying South American "space."

FREE TRADE EBBS IN ENGLAND. H. N. Brailsford. *New Republic,* August 13. Labor lacks the leadership to declare for Free Trade.

FAR EASTERN AIRWAYS. *Far Eastern Review* (Shanghai), June. What the British, Dutch, French, Russians, Japanese, and Americans are doing in aviation in the Orient.

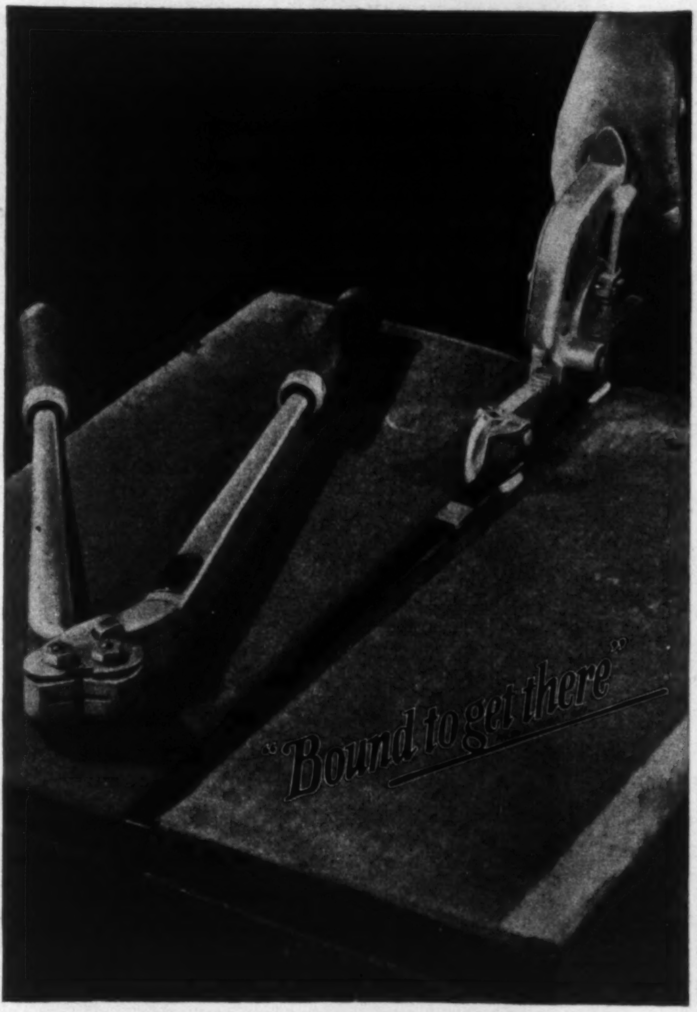
MOTOR CUSTOMS AND TAXATION FEES SWELL TREASURIES OF EVERY LAND. George E. Quisenberry. *The American Automobile,* August. World prosperity which has come from the automobile. Amazing figures.

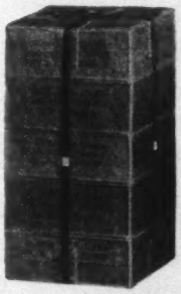
REPORTS—SURVEYS

LAY-OFF AND ITS PREVENTION. National Industrial Conference Board, 86 pp., $1.50. Experiences of Board members.

THE SOUTHWEST MARKET AND DALLAS AT ITS GEOGRAPHIC AND ECONOMIC CENTER. Clyde V. Wallis, 144 pp. Despite considerable "booster" material, a deal of statistical information of value in market research covering Louisiana, Arkansas, Oklahoma, and Texas. Includes a section on aviation and one on Texas corporation laws.

COOPERATIVE MARKETING ACTIVITIES IN BUSINESS. Policyholders Service Bureau, Metropolitan Life Insurance Company, 30 pp. Examples of recent pooling of marketing enterprises.





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THE BUSINESS WEEK
The Journal of Business News and Interpretation
August 20, 1930

Cyclone Cellars Or Scientific Control

HERE we are entering upon the last stages of another of those strange economic storms into which modern business runs from time to time—this one somewhat prolonged by a genuine act of God, the drought—without being a bit the wiser for it all. To be sure we have replenished our stock of stale moral sentiments through the incessant sermons of the wiseacres, and we have been prepared for salvation by penances of price deflation, counsels of cautious economy, and other pious and unpleasant puritan principles. But to our stock of common sense or scientific knowledge about the causes, and control of periodic paralyses of business we seem to have added nothing at all.

We still accept business depression, like drought, as an act of God. After thirty years or more of investigation of the economic mysteries by the high priests of political economy and the statistical astrologers, all that we can do is organize a few cooperative committees on sacrificial burnt offerings, make our genuflections to the Cycle, and climb into our cyclone cellars till the sun shines again.

To the mind of the modern business man this survival of superstition in the disguise of science must appear strange and slightly silly. To the twentieth century technologist and administrator, who has seen and shared in the building of a world of wonders by the energy, enterprise, and free intelligence of the creative spirit of scientific civilization, it is never quite possible to believe that the wealth and welfare of nations is mere weather which we are doomed to discuss endlessly but can do nothing about. He knows, nevertheless, that states of mind have to be reckoned with realistically; and he sees clearly that this one puts a crucial question to modern economic society, the answer to which must determine public and private policy henceforth.

If our psychology is so saturated with the superstition of the Business Cycle that we are doomed to prostrate ourselves before it as our readiest response to depression, then we must build our business and governmental institutions on the cyclone cellar system. If periodic deluge and drought are our destiny, we must deal with it sensibly and scientifically and socially, adapting our economic architecture to the imminent earthquake, spending our lives building levees against the flood and reservoirs against the drought, devoting our energies during prosperity to the compulsory accumulation of public and private surpluses, and remodeling our economics on the plan of Noah and his ark. If we have to live this way, we can do even that intelligently, and in the modern spirit, with a vast apparatus of social insurance and a purely actuarial instead of creative economic science, adapted to the dismal doctrine of probability, predestination, and despair. But to do it we must resign ourselves to the supreme sacrifice—that of freedom, for freedom and risk are inseparable.

Europe has gone a long way in this direction, without finding, so far as we can see, either security, stability, or satisfaction. That may be the inevitable end to the great adventure of the free intelligence of man in the control of the unknown—a great social system of refuges and safeguards in which, without individual effort or initiative, safety is guaranteed to all against the vagaries of the cyclical gods.

For our part, we are not ready to admit that the superstition of the Business Cycle has any substance which is insoluble in the acid insight of modern science and technology. Until the resources of creative control of the man-made machine of modern business have been truly tested and unquestionably exhausted, we should not resign ourselves to the fatalistic philosophy of the cyclone cellar.

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